

Office of Inspector General



U.S. Department of State

U.S. Arms Control and Disarmament Agency

**United States Information Agency, including
the Broadcasting Board of Governors**



Semiannual Report to the Congress

October 1, 1998, to March 31, 1999

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 7,000
Management decision during the reporting period	\$ 2,356,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 783,000
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 118,116

Investigative Results:

Cases opened	33
Cases closed	55
Judicial actions	60
Administrative actions	24
Hotline and complaint activity	92

Reports Issued:

Audits	8
Inspections	14
Security and Intelligence Oversight reviews	28
Contract audits	4

Pictured on the front cover is the rear of the U.S. Embassy in Prague. The spire of St. Vitus's Cathedral is in the background, overlooking the Prague Castle, seat of the Czechoslovakian Government. ~ *Photo by Richard V. Long.*

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Executive Summary

During this semiannual reporting period, OIG work focused on a broad range of key issues in accordance with foreign policy priorities and OIG strategic objectives. Foremost among these were enhancements to OIG's security oversight in the wake of terrorist attacks on U.S. embassies in Africa last year, and OIG's assessments of year 2000 (Y2K) readiness within the Department, the United States Information Agency (USIA), U.S. missions overseas, and host countries.

In response to the \$1.4 billion emergency appropriation for security enhancements, the Department has mobilized resources to address security vulnerabilities, and to implement the recommendations contained in the recent *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*. The Under Secretary for Management has created steering groups to coordinate these initiatives and to manage the multitude of efforts undertaken since the East African bombings. She has welcomed OIG participation in all of these activities.

During this reporting period, OIG has concentrated much of its security oversight work on measures the Department might take now to mitigate the vulnerabilities we must inevitably live with in the next several years.

OIG has identified several areas where security could be improved. These include: developing

new alarms and drills for bomb attacks, clarifying lines of authority, enhancing emergency preparedness, improving the management and support of local guard programs, and increasing setbacks where possible. For example, OIG recommended that the Department develop new alarms and drills to prepare personnel to take immediate cover in the event of a possible vehicular bomb attack. The Accountability Review Board also recognized the critical importance of these few seconds in saving lives and strongly recommended the immediate implementation of a "duck-and-cover" alarm and drill.

Another key issue facing the foreign affairs agencies is the vulnerability of their computer-dependent systems to the Y2K problem. Y2K readiness and adequate contingency plans are necessary to avoid havoc in the foreign affairs community, including disruption of messaging systems, impediments to embassy operations such as visa and passport processing, and failures in administrative functions such as payroll and personnel processing in the year 2000. Embassies and consulates rely on their respective host countries' infrastructures to provide essential, day-to-day services such as power, water, telecommunications, and emergency services. In some countries, these services could be disrupted if critical infrastructure components and control systems are not made Y2K compliant.

OIG has been actively engaged with the Department and USIA to assess Y2K readiness. OIG has also conducted an extensive assessment of the Y2K readiness of U.S. embassies overseas as well as their host countries. OIG met with representatives from foreign governments, key infrastructure sectors, and private industry in 20 countries. OIG provided information summaries on each of these countries to the Department, USIA, the President's Council on the Year 2000 Conversion, congressional committees, and other foreign affairs organizations. In March, the Inspector General testified before the Senate Special Committee on the Year 2000 Technology Problem on global Y2K readiness.

OIG continued to prioritize work in accordance with its four strategic objectives. In addition to post management inspections of our embassies and security oversight inspections, OIG reviewed the Department's progress in implementing the Government Performance and Results Act (Results Act). OIG also completed audits in several areas, including the Department's consolidated financial statements, the Real Property Advisory Board, the National Endowment for Democracy, and administrative practices at Radio Free Europe/ Radio Liberty. OIG completed a review of the Border Biometrics Program, a program mandated by law which requires a biometric identifier be incorporated into border crossing cards by September 30, 2001.

Improved Implementation of Foreign Policy

During this reporting period, OIG inspected a number of overseas posts, with a special focus on smaller U.S. Missions in Africa. OIG reviews identified several areas related to improved implementation of foreign policy.

OIG inspections of posts in Africa found that management control weaknesses were exacerbated at smaller African posts. These weaknesses were generally attributed to pervasive inadequacies in staffing, training, and regional support. OIG found a number of the smaller posts suffered long staffing gaps, and infrequent visits by regional support functions.

In the inspection of Embassy Cairo, OIG noted that the strategic, high-level dialogue helped offset a common perception that U.S. interest in Egypt is confined to the Middle East Peace process. The Ambassador and the U.S. Information Service (USIS) had revitalized a cultural and American studies program to soften the U.S. image and buffer inevitable strains arising from the peace process and reductions in aid. However, OIG found the mission needed a specific public affairs strategy to publicize accomplishments and changes in U.S. assistance programs. More importantly, OIG noted that the mission could not adequately encourage the Middle East peace process if not kept consistently informed by Washington, which had not been the case during the recent Wye Summit. In its report, OIG noted that more timely, high-level feedback is essential in the future.

During its inspection of Embassy Tokyo, OIG found a well-run mission that actively participated in the Washington-led policy process. OIG found that Embassy Tokyo's Mission Performance Plan (MPP) was comprehensive but too long to be an effective management tool, and needed a more concise statement of priorities. In addition, the performance indicators in the MPP were too broad to constitute an accurate measure of overall mission effectiveness.

In its inspection of the Border Biometrics Program, OIG noted many problems that jeopardized timely implementation and enhanced border security. The lack of laser visa processing equipment at consular posts in Mexico and continued issuance of nonbiometric 10-year visas were problems that must be addressed by the Department. The Immigration and Naturalization Service (INS), which has experienced delays in card production, checks applications against an inadequate criminal database and has no plans to check each alien's identification card at the border. Efforts by both the Department of State and the INS are needed to correct these problems.

Better Alignment of Fiscal and Human Resources with U.S. Foreign Policy Priorities

OIG established a plan to review and report on the efforts of the Department and the Broadcasting Board of Governors (BBG) to develop and use performance

measures. Additionally, OIG plans to verify and validate selected data sources for such measures. OIG noted that strategic planning efforts as required by the Results Act have prompted notable improvements in the Department's planning process, however, the Department's combined FY 1999-2000 plan does not fully comply with the Results Act.

OIG plans to build a Results Act component into selected audits, inspections, and security reviews to assess the performance goals and measures. Areas of OIG coverage will include overseas security vulnerabilities, financial management, Y2K remediation efforts, telecommunications, and property management.

More Effective, Efficient, and Secure Operations and Infrastructures

In our last semiannual report, OIG outlined its plans for enhanced security oversight in the aftermath of the terrorist attacks on U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania. During this reporting period, OIG focused on implementing these broader security oversight efforts. Routine post management inspections now include an experienced security officer to ensure that every inspected post is subject to a rigorous review of physical security, emergency preparedness, and post management's attention to security. OIG security oversight inspections have been expanded to include low and medium threat posts, in addition to those with high and critical threat ratings.

OIG created a new Security Enhancements Oversight Division that will provide oversight of the \$1.4 billion in emergency security funds, evaluate physical and technical security being built into the new office buildings in Nairobi and Dar es Salaam, and examine security for onsite construction and contract management at these posts.

OIG security inspections during this period concentrated on providing interim solutions to posts that can be immediately implemented to reduce their security risk. For example, bomb drills were conducted, focus was placed on emergency preparedness, and plans were developed for moving personnel from high-risk locations.

Because a large portion of the emergency supplemental funds will go toward procuring goods and services and the construction of new facilities, OIG plans to provide audit assistance to determine whether contract costs are reasonable. OIG may audit selected contractors prior to award and at contract completion, and provide technical support to Department contracting officers in reviewing contractor proposed costs.

During this reporting period, the OIG Office of Security and Intelligence Oversight completed several audits and inspections to improve security and more effectively use resources. Complete details on OIG's security oversight work are presented in the classified annex to this semiannual report.

OIG assessed the Y2K readiness of the Department's telecommunications network during this period. Because the Department depends on external entities such

as international companies and host government circuits for telecommunications, there is no way to be certain that the Department's telecommunications network will properly function after December 31. OIG noted that the Department could reduce risks associated with this problem by developing a plan of alternative telecommunication options, such as the use of satellite terminals or global wireless communications.

OIG is also reviewing Department and USIA efforts overseas to prepare adequately for the millennium change. This includes monitoring activities of our overseas posts to raise global awareness of the Year 2000 problem, evaluating whether U.S. embassy and consulate system vulnerabilities are properly addressed, and reviewing post contingency plans.

Finally, because U.S. embassies and Americans living and working abroad might be vulnerable to Y2K-related infrastructure failures, OIG is assessing the Y2K readiness of host countries where the U.S. Government maintains a presence. OIG assessed the Y2K readiness in 74 countries, 20 of which OIG teams visited over a 5-month period.

During this reporting period, OIG reported on the Department's 1997 agencywide financial statements. OIG issued an unqualified opinion, verifying that they statements were free of material misstatements. However, the report brings to management's attention concerns with the security over the Department's domestic main frame computer; the inadequacy of internal controls over the management of unliquidated obligations; and

the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.

For many years, OIG has identified problems in the Department's procedures for the disposition of real property. These findings contributed to language in the Conference Report accompanying the FY 1997 Omnibus Appropriations Act requiring the establishment of a Real Property Advisory Board to help reduce the Department's inventory of surplus real property overseas. OIG reviewed the activities of the Board and found that disputed properties are appropriately chosen for the Board's review and recommendations of the Board are based on sufficient information. However, the report recommended that the Department correct deficiencies in its accounting for the proceeds of sale of property.

OIG's review of administrative practices at Radio Free Europe/Radio Liberty (RFE/RL) found major strides in correcting previously identified deficiencies. However, the review noted that RFE/RL still needed to correct deficiencies related to a sole source labor services contract. In its audit of the National Endowment for Democracy, OIG found that the Endowment and its core grantees generally complied with the Office of Management and Budget (OMB) requirements, but improvements were needed in the selection of outside auditors, presentation of financial data to OMB, and completion of invoice verifications.

Greater Adherence to Fundamental Principles Governing Professional and Ethical Conduct

The Office of Investigations conducted work in several areas, including embezzlement, passport and visa fraud, procurement fraud, and employee misconduct. OIG also continued its outreach programs designed to exchange information on the efforts of governments to foster ethics and greater accountability in government operations.

In May 1997, OIG, the Social Security Administration's OIG, and the Immigration and Naturalization Service initiated an investigation based on an allegation that a travel agency was altering U.S. visas and using them to illegally obtain social security cards. In February 1999, two defendants pleaded guilty to knowingly and intentionally conspiring to defraud the United States by submitting and causing to be submitted altered passports containing fraudulent documents to obtain social security cards.

Another OIG investigation uncovered an embezzlement scheme involving a cashier. The investigation found that the cashier had fraudulently received payments on more than 40 occasions, for a total amount exceeding \$6,000. In February 1999, the cashier pleaded

guilty in U.S. District Court to a felony count of theft of U.S. property.

At the request of the Department, OIG expanded its outreach initiatives beyond the U.S. borders in support of defined strategic goals and foreign policy objectives. The Inspector General engaged foreign government officials in discussions on rule of law, anticorruption, promotion of democracy, greater transparency in government, organizational structure and methodologies for internal auditing of government operations, and prevention and detection of fraud, waste, and mismanagement.

In February, the Inspector General moderated a panel on "Internal Oversight: Prevention, Detection and Investigation" for the Vice President's global forum for fighting corruption attended by representatives from over 80 countries. In March, the Inspector General traveled to the People's Republic of China to continue a dialogue on anticorruption and ethical conduct initiatives. She also participated in an international corruption conference on anticorruption efforts in Hong Kong. Earlier this fall, the Inspector General participated in Namibia's National Conference on the promotion of Ethics and Combating Corruption, along with representatives from the United Nations and several other countries.

Congressional Activities and OIG Outreach

Testimony

The Inspector General testified before the National Security, International Affairs and Criminal Justice Subcommittee of the House Government Reform Committee on February 25, 1999, and the International Operations Subcommittee of the Senate Foreign Relations Committee on March 4, 1999, on the major management challenges facing the Department of State. Those challenges include embassy security, Y2K compliance, the laser visa program and border security, the consolidation of foreign affairs agencies, financial management, and real property management.

The Inspector General also testified before the Senate Special Committee on the Year 2000 Technology Problem on March 5, 1999, and provided highlights of the 20 country on-site assessments conducted by the OIG Y2K team. Statements for the record were also submitted to the House Committee on Ways and Means on Y2K compliance and the International Operations and Human Rights Subcommittee of the House International Relations Committee on embassy security.

Briefings

OIG representatives also met with Members of Congress and congressional staff to brief them on Department of State compliance with the Government Performance and

Results Act, the export licensing process, namecheck policies and procedures, the functions of the Bureau of International Narcotics and Law Enforcement Affairs, anticorruption outreach initiatives, OIG's new embassy security oversight plan, OIG budget requirements, and the OIG FY 1999 annual plan.

OIG provided comments and proposed changes on:

- FY 2000 Authorization Bill;
 - S 1360, Amendment to Illegal Immigration Reform and Immigrant Responsibility Act of 1996 711 HR 4276 Laser Visa (biometric card) Program; and
 - HR 436, Government Waste, Fraud and Error Reduction Act of 1999
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OIG Outreach

In October, at the invitation of the Namibian Prime Minister, the Inspector General participated in the first Namibian National Consultative Conference on Combatting Corruption and Promotion of Ethics in Windhoek. The conference was hosted by the Prime Minister and attended by members of Parliament, the Minister of Ethics and Integrity of the Republic of Uganda, the Public Protector of the Republic of South Africa as well as representatives from the United Nations, Transparency International, Canada, the Netherlands, and Germany.

As a result of the Memorandum of Understanding (MOU) signed in

April 1998 by the Secretary of State and the Minister of Foreign Relations of the Republic of Chile, and an agreement with the Organization of American States, the OIG and USIA hosted a series of interactive Worldnet broadcasts beginning in November with a discussion of the Y2K problem. From November to March, five programs were developed to address Y2K generally, Contingency Planning, Financial and Energy sectors' readiness, and the challenges of Y2K auditing and certification. Each program featured two field experts in the Worldnet Washington, D.C., studio and audiences from three countries, who actively participated in the discussions via live uplinks at USIA facilities throughout Latin America and Canada. This OIG Y2K initiative met with such success that countries that were unable to participate have requested that the programs be repeated.

In December, to further the commitments expressed in the MOU with Chile, the OIG sent a representative to the Organization of American States' Anti-Corruption symposium in Santiago,

Chile, to discuss OIG programs to reinforce internal controls in government programs that prevent and detect fraud and corruption.

In February, The Vice President sponsored a global forum on fighting corruption, which was attended by participants from over 80 countries. The Inspector General moderated a panel titled "Internal Oversight: Prevention, Detection and Investigation." Panel participants included Michael Bromwich, Inspector General, Department of Justice; Rodrigo Moraga Guerrero, Chairman, General Government Internal Audit Council, Republic of Chile; Miria R.K. Metembe, Minister of Ethics and Integrity, Republic of Uganda; and George Baramidze, Chairman of the Anti-Corruption Investigations, Republic of Georgia.

The panel offered an international perspective on internal government oversight mechanisms and discussed strategies, tools, and techniques to prevent, detect, and investigate fraud, waste, and misconduct and common challenges in the oversight process.

Key findings on the prevention and deterrence of corruption in government identified by the panelists and conferees include the following:

- To serve the people, government must operate free from the waste and uncertainty that fraud and corruption create.
- In countries where some government services are being privatized, anticorruption effort must also encompass the private sector.
- In newly independent nations an additional challenge to anticorruption efforts is to build a sense of ownership where there was once widespread distrust of government that had been externally imposed.
- Transparency in governmental functions is essential to creating and maintaining public confidence in government and in the integrity of public officials.
- In countries where bribery has become a way of life, and graft is perceived as a necessary way of sustaining your family, corruption must be linked to a loss of public services that the government can provide.

Status of Implementation of the Results Act

The Department of State's Strategic Plan, published in September 1997, sets forth 16 strategic foreign policy goals, such as ensuring that local and regional instabilities do not threaten the security of the United States and its allies and opening foreign markets to the free flow of goods and services. The Strategic Plan also sets goals in three supporting areas: human resources, information, and infrastructure and operations. The Department of State has issued a combined Performance Plan for FY 1999-2000 that follows in the same basic framework of its strategic plan. The Performance Plan adds performance goals in two additional support areas: overseas security and reorganization of the foreign affairs agencies.

The Department placed new emphasis on strategic planning in 1998 by requiring that each post prepare a Mission Performance Plan (MPP) that lays out the major goals, objectives, strategies and performance measures for an embassy, built around the Department's strategic and diplomatic readiness goals. Regional and functional bureaus within the Department also prepare annual plans (Bureau Performance Plans) that include their goals, objectives, strategies and performance measures.

Strategic planning efforts as required by the Results Act have prompted notable improvements in the Department's planning process. However, as we recently testified before the Senate Foreign Relations

- International cooperation against corruption is essential to ensure there is no safe haven or financial advantage for the gains associated with corrupt practices.

In March, the Deputy Inspector General appeared in a USIA Worldnet broadcast with the Deputy Assistant Secretary for International Narcotics and Law Enforcement Affairs. The interactive program was broadcast live to Hong Kong, Beijing, and Jakarta and focused on anticorruption issues.

The Inspector General led a delegation to China in March to continue a dialogue initiated in 1997, through Embassy Beijing and the Department's Bureau of East Asian and Pacific Affairs, with the Chinese Ministry of Supervision. The delegation, which included representatives from the U.S. Office of Government Ethics, met with Peoples Republic of China officials in Beijing and Shanghai, as well as officials from the province of Hangzhou and the directors of its civil service Ethics Training Center. The 5-day exchange focused on:

- Conflict of Interest and Standards of Conduct;
- Relationships Among Units of Government Engaged in Anti-Corruption Efforts;
- Whistleblower Protection;
- Transparency, Public Disclosure, and Privacy in Government Operations;
- Supervision and Training of Law Enforcement Personnel; and
- Education of Civil Servants Engaged in Anti-Corruption Efforts.

The Inspector General was also invited to chair an international panel in Hong Kong as part of Hong Kong Independent Commission Against Corruption's "Silver Jubilee Conference." The conference had the express stated purpose of "promoting clean government." The Inspector General delegation was one of 400 from 52 geographical jurisdictions, representing 180 law enforcement entities worldwide. The panel on "Closing the Loopholes and Enlisting Support" was comprised of law enforcement experts from Hong Kong, the United Kingdom, Australia, and the

Netherlands and addressed how best to safeguard against corruption and enlist public support for such efforts.

RESULTS ACT REVIEW PLAN

The Government Performance and Results Act of 1993 (Results Act) requires that agencies set goals for program performance and measure results against those goals to help improve the efficiency and effectiveness of federal programs and to increase public accountability. Specifically, the law requires that each agency submit to Congress and OMB a 5-year strategic plan and an annual performance plan with measurable goals and indicators that link to that strategic plan. The Results Act also requires that, beginning in March 2000, agencies submit annual performance reports to show progress against their goals.

Senator Thompson and Representatives Armey, Burton, Horn, and Sessions have requested that

Committee and the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs and International Relations, the major challenge that exists for the Department is to define goals stated in mission, bureau, and Department plans in more measurable terms, and in terms of outcomes—what the United States hopes to achieve—rather than broad policy statements.

We also testified that the Department's FY 1999 Performance Plan did not fully comply with the Results Act. For example, the plan lacked baselines and performance targets, omitted management initiatives, contained goals that were broadly stated and extended beyond the Department's span of control, and provided little information on the resources re-

quired to achieve specific performance goals. Although the combined FY 1999-2000 performance plan still does not fully comply with the Results Act, it is an improvement over the previous plan. The Department intends to work together with Congress, the General Accounting Office (GAO), and OMB over the next year to develop a performance plan that encompasses all of the Department's activities.

The Department's March 2000 Performance Report will include reporting for ACDA and USIA since they will be integrated by that time. The International Broadcasting Bureau has issued a Performance Plan for FY 1999. The Broadcasting Board of Governors will be reporting progress against that plan in March 2000 as an independent agency.

Inspectors General assist them with oversight of agency implementation of the Results Act. Specifically, they have asked each Inspector General review the status and use of performance goals and measures in their respective agencies and the accuracy and reliability of performance data. In accordance with these requests, OIG has developed a plan to review and report on the efforts of the Department of State and the BBG regarding performance goals and measures. The OIG approach will task teams from the Offices of Audits, Inspections, and Security and Intelligence Oversight with building a Results Act component into audits, inspections, and other reviews. Specifically, teams will assess the performance goals and measures related to their audit or inspection area by (1) examining the efforts to develop and use performance measures, (2) determining if performance measures are consistent with goals, and (3) reviewing the plans to verify and validate data sources for performance measures, including selectively testing performance data.

The Department has established 16 strategic goals and several support goals. Our initial Results Act review for the Department will focus on what OIG considers major challenges, including addressing overseas security vulnerabilities, correcting weaknesses in financial management, achieving Year 2000 compliance, and improving real property management. Our coverage will be heaviest for the Department's support goals, where the Department faces many of those major challenges and where it has made the most progress establishing measurable goals. Our review

will also address performance measurement under some of the Department's strategic goal areas, such as opening foreign markets and expanding U.S. exports. Additionally, post inspections will provide coverage of a wide range of

the goals and measures at selected embassies. In Broadcasting, our work will address efforts to measure improvements in improving the free flow of information throughout the world.

The Y2K Problem: Global Readiness

OIG has been actively engaged with the Department of State and our embassies overseas to assist them in meeting the Y2K challenge. A particular OIG focus has been the Y2K readiness of host countries where the United States maintains a diplomatic presence. On March 5, 1999, OIG testified on the issue of global Y2K readiness before the Senate Special Committee on the Year 2000 Technology Problem. The testimony was based on our assessments of the Y2K readiness in 74 countries, 20 of which we visited over a 5-month period. OIG's testimony discussed a number of key themes:

- Industrialized countries are well ahead of the developing world; however, some of those locations are at risk of having Y2K-related failures because they were late in establishing Y2K leadership at the national level, and because they are heavily reliant on computer technology in key sectors;
- Developing countries generally are lagging behind and are struggling to find the financial and technical resources needed to resolve their Y2K problems; still, the relatively low level of computerization in key sectors (utilities, telecommunications, and transportation) may reduce the risk of prolonged infrastructure failures;
- Former Eastern bloc countries are late in getting started and are generally unable to provide detailed information on their Y2K remediation programs; and,
- Problems related to Y2K readiness in the health care sector are apparent in the majority of countries evaluated.

OIG's testimony also noted that to address global Y2K issues effectively, a more cohesive framework is needed for the development and implementation of U.S. policy concerning the Y2K problem. OIG stated that in its visits to developing countries audit staff were repeatedly questioned about whether the United States would be making funds available to support individual countries' Y2K remediation programs and for developing contingency plans. OIG further noted that thus far, U.S. policy on global Y2K readiness has focused mainly on supporting efforts by international organizations—such as the World Bank—that provide financial assistance to developing countries. OIG concluded that it is now time for the foreign affairs community to broaden its approach to global Y2K readiness to include a framework for determining what actions the U.S. should consider taking to protect the national interest.

U.S. Department of State

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OIG audit work this reporting period included reviews of regional financial management services provided to overseas posts, inquiries into allegations of improper contractor practices, examination of accounting procedures for the proceeds from the sale of real property, and audits of the Department's 1997 consolidated financial statements and the financial statements for the International Cooperative Administrative Support Services (ICASS) System. Also, during this reporting period, OIG continued to provide assistance in the evaluation of the Department's hardware and software platforms and overseas telecommunications systems for Y2K preparedness.

Florida Regional Center (99-FM-002)

The Office of Inspector General reviewed the regional financial management services provided to overseas posts by the Florida Regional Center (FRC). The FRC provides support to six posts in the Caribbean and Latin America that do not have American financial management officers. In addition, FRC provides oversight and assistance to other Latin American and Caribbean posts with first-tour financial management officers and to posts that have temporary financial management officer staffing gap.

The review found that:

- Posts were satisfied with the services received from FRC, but FRC had no formal system for evaluating customer service;
- Financial management services provided to serviced posts were excellent and covered all major areas of financial operations, but, with the exception of serviced posts,

a limited number of other posts had received FRC assistance; and

- Internal controls and management practices were in place, but additional internal controls needed to be established over regional financial management operations, including tracking and monitoring regional travel, maintaining centralized and consistent documentation, and establishing up-to-date memorandums of agreement with all serviced posts. Both FRC and the Bureau of Latin American Affairs agreed with the findings and recommendations.
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U.S. Department of State's 1997 Consolidated Financial Statements (99-FM-003)

The Government Management Reform Act (GMRA) requires and, therefore, OIG's audit objective was to obtain reasonable

assurance and express an opinion on whether the 1997 Consolidated Financial Statements were free of material misstatement.

OIG issued an unqualified opinion on the Department's 1997 Consolidated Financial Statements, verifying that the statements were free of material misstatements. Although an unqualified opinion was issued for the 1997 Consolidated Financial Statements, the report brought to management's attention concerns with the security of the Department's domestic main frame computer; the inadequacy of internal controls over the management of unliquidated obligations; and the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, the Chief Financial Officers (CFO) Act, and the Federal Financial Management Improvement Act. OIG also brought to management's attention noncompliance with the GMRA that requires agencies to prepare audited financial statements and submit them to OMB by March 1 of each year.

International Cooperative Administrative Support Services System Financial Statements September 30, 1997 (99-FM-004)

GMRA requires the OIG to audit the financial statements for the International Cooperative Administrative Support Services (ICASS) System in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement to determine whether ICASS has an internal control structure that provides reasonable assurance of achieving internal control objectives and whether ICASS has complied with applicable laws and regulations. OIG issued an unqualified opinion on the ICASS financial statements for FY 1997.

Activities Supporting the International Law Enforcement Academy, Budapest, Hungary (99-CI-005)

At the request of the Bureau of International Narcotics and Law Enforcement Affairs (INL), OIG reviewed the administration of funds made available to Federal agencies and U.S. embassies for training at the International Law Enforcement Academy (ILEA) in Budapest, Hungary. The objectives of the audit were to determine the level of funding made available by INL and spent by Federal agencies and U.S. embassies to support training

at ILEA, review INL's oversight of these funds, and determine whether they are properly administered.

OIG found that it could not determine the actual cost of ILEA Budapest because financial reporting was not standardized, ILEA costs were commingled with those for other programs, and the costs of advanced courses given at ILEA were not readily identifiable under current accounting practices. INL needs to improve oversight of ILEA funds by establishing a standard financial reporting system and by conducting annual financial reviews of funds spent in support of ILEA. Opportunities exist to use ILEA resources more efficiently, especially by reducing the number of U.S.-based personnel sent to ILEA as instructors and by exploring less costly alternatives for coordinating core courses. The relevance and impact of current training efforts are not always clear and should be reviewed. OIG recommended that there be greater standardization of financial management procedures for participating law enforcement agencies, and improved guidelines for U.S. embassies to follow when sending students to ILEA. INL agreed with the report's recommendations and is currently working to implement them.

Real Property Advisory Board (99-PP-006)

OIG reviewed the activities of the Department's Real Property Advisory Board, established in April 1997 in response to the September 1996 congressional appropriations conference committee report and OIG and GAO findings. The Board serves as an arbitrator that makes recommendations to the Assistant Secretary for Administration on the possible disposal of overseas real property. Referrals are made to the Board when disputes arise between parties within the Department or between the Department and outside agencies concerning the disposal of such properties. The objectives of the review were to determine if the Board's operations met congressional intent, and if the Department adequately followed through on the Board's recommendations. OIG also evaluated the Department's newly implemented procedures to account for proceeds of real property sales.

The Department established the Board as the Congress intended, properties were appropriately selected for the Board's review, the Board's recommendations were based on fair and sufficient information, and the Department was generally taking action on the Board's recommendations to dispose of properties. However, at two posts where the Board recommended and the Bureau of Administration approved properties for sale, the posts either delayed final action or did not start action to sell property because the posts requested that the bureau and the Office of Foreign Buildings Operations (A/FBO) reconsider the Board's recommendations. The bureau and A/FBO agreed to honor the requests; however, they did not develop procedures and time limits to ensure consistent and timely treatment of these requests. This created an informal appeals process that was neither proposed by the Congress nor included in the Board's charter, and it further delayed the sale of surplus property.

The Department has made improvements in accounting for the proceeds of sale of real property, but deficiencies still exist. The Bureau of Finance and Management Policy (FMP) staff did not transfer in a timely manner approximately \$69 million in proceeds of sale to the new proceeds account that segregates the funds from the sale of real property from other A/FBO funds. FMP staff also did not (1) verify and reconcile the proceeds amounts in accordance with internal guidelines, resulting in an understatement of about \$70,000 credited to A/FBO's spending authority or (2) update Department regulations to show the changes in accounting procedures for proceeds of real property sales.

OIG recommended that the Bureau of Administration examine the Board's decision process to determine if an appeals process is needed and, if so, establish a formal appeals process to ensure consistency and timeliness of Department actions. If no appeals process is needed then the Board's decisions should be final. OIG also recommended that FMP formalize procedures for reporting proceeds from the sale of real property and revise and redistribute the guidelines to ensure (1) that the guidelines provided to each of the various FMP offices are consistent and (2) in conjunction with A/FBO, that posts provide FMP's Accounts Receivable Division the Optional Form-158 General Receipt for all proceeds collected. Both FMP and A/FBO agreed with the findings and recommendations.

Identification of Excess, Underutilized, or Obsolete Real Properties

At the request of the Under Secretary for Management, starting in March 1998, OIG included the identification of excess, underutilized, or obsolete real properties in inspections and audits at overseas posts. Since the beginning of the effort, OIG has provided 29 post final reviews and 12 post draft reviews to A/FBO listing 131 overseas properties that OIG categorized as excess, underutilized, or obsolete at the time of the inspection or audit. OIG also listed 58 properties that it categorized for future disposal or future development because A/FBO has plans to dispose of or develop them as conditions permit. These reviews will be used by A/FBO in an effort to manage its real property assets.

Unreasonable Contractor Profit on an Asbestos Abatement Project (99-PP-009)

OIG reviewed allegations of unreasonable profit on a firm fixed price (FFP) order under an indefinite delivery/indefinite quantity (ID/IQ) contract for asbestos abatement at a European embassy. The allegations were that the profit on the delivery order was exorbitant due to fewer workers and less time spent on site than was proposed, collusion had possibly occurred in the preparation of the Independent Government Cost Estimate (IGCE), and that the contract's scope of work was greatly exaggerated. The ob-

jectives of the review were to examine the merits of the allegations and the procedures used in these procurement actions. Concurrently, OIG performed a limited survey of other Department FFP orders under ID/IQ contracts to determine if similar circumstances existed.

OIG estimates that the contractor earned an unnecessarily high profit on the delivery order amount. Further, OIG estimates that the contractor also earned an unnecessarily high profit on eight other delivery orders under its ID/IQ contract. The average government estimate of the profit level was about 30 points below the percentage achieved by the contractor for the eight delivery orders. The

contractor's high profit generally resulted from finishing projects in far less time and with fewer personnel than either the contractor or the Department estimated.

OIG found no evidence of collusion between the contractor and the contracting officer's representative, but found several factors related to why the contractor consistently achieved such a high profit. These included shortcomings in the Department's methodology in preparing IGCEs; difficulties in estimating costs so that FFP orders may not be the most appropriate contract method for asbestos abatement work; and failure to modify asbestos abatement delivery orders to reflect reductions in the scope of

Y2K Products and Reports

OIG continued to produce short interim reports on Y2K to the Department of State's Chief Information Officer, Y2K Project Management Office, and other senior Department officials who are directly responsible for Y2K remediation. During the reporting period, the OIG Y2K audit team submitted two reports detailing its observations in several key areas:

Telecommunications Y2K Readiness—Telecommunications is vital to the Department's mission of coordinating and implementing foreign policy abroad. Much of the Department's network relies on international commercial long-distance circuits and on host governments' local circuits, both of which must be Y2K compliant for the Department's network to operate effectively. Because of this dependence on external factors, the Department cannot be certain that the telecommunications network will function properly on January 1, 2000. The Department can, however, reduce the risks associated with this Y2K problem. OIG emphasized that the Department must assume the local circuit providers for overseas posts will not be Y2K compliant and implement a plan, such as the deployment of satellite terminals or the use of global wireless communications network, to reduce this risk.

OIG also recommended that the Y2K Program Management Office (PMO) independently review the documentation that supports the assertions made by the Diplomatic Telecommunications Service Program Office (DTS-PO) on Y2K readiness of its network. The Department agreed with the recommendations and has taken steps to evaluate DTS-PO Y2K readiness.

Y2K Certification Guidelines for System Platforms—These guidelines summarized the data OIG gathered on the Y2K preparedness of software and hardware platforms that are in common use in the Department and run mission-critical applications. OIG identified the Y2K compliancy for eight operating systems, three network operating systems, five types of hardware, two database management systems, and five types of the COBOL programming language. The Y2K PMO has made this research available to the Department through the Department's intranet. As part of the Y2K certification process, if a system owner has specified the requirements for a certain hardware or software platform component covered in this paper, the system owner may not be required to repeat the research.

work. OIG also found that A/FBO approved advance payments to the contractor for costs that had not yet been incurred, such as per diem. On the eight delivery orders reviewed by OIG, the contractor was paid for liability insurance costs it may not have incurred.

OIG did not find a pattern of high profits on two other asbestos abatement contracts, primarily because some costs were paid on a reimbursable basis. Further, the circumstances that led to high profit in this case appeared unlikely to have occurred to any great extent under the Department's other FFP orders under ID/IQ contracts, because the vast majority of these were for competitively obtained goods rather than services.

OIG recommended that A/FBO improve preparation of IGCEs, improve contract administration, change the type of contract used for asbestos abatement services, and recover liability insurance costs paid to the contractor. From findings and analyses, OIG estimated that the Bureau of Administration could put \$403,000 annually to better use by making more contract costs as reimbursables and improving IGCE estimates.

Report on Inquiry into Contractor Allegations (99-PP-011)

OIG reviewed allegations from a former contractor concerning actions of the Department of State's Office of Major Federal Information Processing Acquisitions. Specifically, the contractor's attorneys alleged that Department contracting officials induced the contractor to provide services that exceeded funding limitations, structured task orders to assure that subcontractors were paid in precedence over the contractor's employees, and assigned more than 50 percent of the work to subcontractors contrary to contract requirements. It was also alleged that the Department inappropriately threatened to pursue debarment proceedings against the contractor because the contractor had not paid its subcontractors.

OIG found no evidence to support allegations that the Department induced the contractor to exceed funding limitations or structured task orders to ensure that subcontractors were paid in precedence over the contractor's employees. However, subcontractors did perform more than 50 percent of the work under the contract, in violation of contract provisions and requirements of the Small Business Administration (SBA). OIG did not find that the Department's preliminary inquiry into debarment of the contractor constituted an improper threat of debarment; however, OIG concluded that the contracting officer may have displayed poor judgment in this matter by involving the government in a matter that was not legally its concern.

In addition, OIG found that the contracting officer was inappropriately involved in the selection of subcontractors under this and other contracts, creating the appearance that the integrity of the acquisition process may have been violated. OIG also found that the same official requested and obtained an extension on a contract for an outside counsel to support the Department's information technology acquisitions. Since the Office of the Legal Adviser had advised this official that it would not recommend the extension because it could provide adequate legal services, this contract extension appeared unnecessary and not in the Department's best interests. OIG recommended Department actions to strengthen compliance with provisions and requirements of contracts with SBA and to better monitor contractor performance. This report also recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, ensure that contracting officers not oversee contracts supporting their own programs. This office should also consider terminating the contract for the outside counsel and deobligating any remaining funds under the contract. Terminating the contract could result in \$26,667 in funds put to better use. The Office of Logistics Management, Bureau of Administration, concurred with most of the report's recommendations but disagreed with terminating the contract for the outside counsel, asserting that its use was declining and termination was unnecessary.

Inspections

During this reporting period, the Office of Inspections inspected 16 posts, a bureau, and the Border Biometrics (Laser Visa) Program, and OIG published 14 Reports of Inspection.

Embassy Singapore (ISP/I-98-44)

Embassy Singapore is a well-managed post despite its complex structure, broad regional responsibilities, and the presence in Singapore of six military units reporting through the Commander in Chief, U.S. Pacific Command (USCINCPAC). The Ambassador and the deputy chief of mission (DCM) have excelled in articulating a coherent policy vision and fostering an environment in which interagency teamwork has flourished. There is good bilateral cooperation especially on military and law enforcement issues.

The mission has a proactive, highly visible program to support American business, spearheaded by the U.S. and Foreign Commercial Service. In addressing the regional financial problems and their effect on U.S. interests, the Ambassador invited other U.S. ambassadors in the region to meet with Commerce Secretary Daley and to develop perspectives and recommendations on the Asian financial crisis. OIG believes regional chief-of-mission conferences to be a “best practice” worthy of emulation.

Embassy Singapore has used the MPP process as a dynamic management tool. Embassy allocation of dollar values to policy and support functions produced special insights on the deployment of human and material resources.

Current real estate conditions make this an ideal time to acquire new residential properties. The embassy and A/FBO are considering the sale of several properties.

Embassy Kuala Lumpur, Malaysia (ISP/I-99-01)

Embassy Kuala Lumpur has been troubled in the past by a unique confluence of political, economic, environmental, health, personnel, and senior management problems.

The Ambassador has reoriented the mission focus to give greater relative policy weight to the development of defense and security ties, cooperation against transnational crime and environmental hazards, and to a broader bilateral political and strategic dialogue. Despite the Malaysian leadership’s tendency to inveigh publicly against an alleged cultural, economic, and political threat posed by the United States and the West, striking—but low key—progress has been made on counternarcotics, intellectual property rights, antiterrorism, and defense cooperation. Similarly, USIS Malaysia has successfully engaged an increasingly well-educated audience in a broad spectrum of bilateral, regional, and global issues through effective information outreach and educational exchange programs.

Internal management controls were generally effective, but vulnerabilities existed in the post’s handling of nonexpendable personal property and in control over personal use of official telephone facilities.

Embassy Jakarta, Indonesia (ISP/I-99-02)

OIG postponed a routine inspection of Embassy Jakarta scheduled for summer 1998 in light of an ordered evacuation following civil disturbances in May 1998. A limited-scope inspection took place in July 1998, which looked at evacuation guidance and execution, front office leadership, diplomatic readiness, reporting and representation, mission integration and coordination, and dealing with a changing Indonesia. Despite extensive planning, the embassy encountered and overcame many problems the first night of the evacuation. The Department agreed with an OIG recommendation to establish procedures to provide updated guidelines to posts facing possible evacuations.

The experience of Embassy Jakarta highlighted the pivotal role of ambassadorial leadership for protection and advancement of U.S. interests in a rapidly evolving situation. The front office was the focus for cohesion and confidence during a volatile and unsettling period. The embassy's ability to perform during the building crisis was determined in large part by decisions made well before any crisis was visible. Many offices are staffed by experienced, language-qualified officers who were up to the tasks they faced, but closure of the U.S. post in Medan left the embassy blind for a time to key developments there that had national significance.

A new government, and movement toward reforms in a still uncertain economic-political situation, presents new questions and challenges to the mission. A proactive embassy that sees the bigger picture and that keeps Washington on top of possibilities for U.S. interests on the ground in Indonesia offers the best hope for sustained U.S. Government attention and engagement.

Embassy Tokyo, Japan (ISP/I-99-04)

The economic and security relationship with Japan is vital to the advancement of U.S. interests in Asia and in the world. Embassy Tokyo is a well-run mission that actively participates in the Washington policy process. The MPP is comprehensive, but a more concise statement of priorities would be a more effective management tool. Performance indicators in the MPP are for the most part too broad to constitute an accurate measure of overall mission effectiveness. The embassy is well positioned to coordinate the activities of executive branch agencies operating in Japan and biennial summits would help coordinate policy in Washington. The embassy should monitor U.S. Government requests for support from the Japanese Government. The Department must develop mechanisms to ensure that there is sufficient Japanese language and area expertise in the future. The language field school in Yokohama is key to achieving this objective. Greater use should be made of Japanese expertise in other agencies.

Too much of the embassy's public diplomacy effort is directed at Tokyo audiences. A branch public affairs officer should be assigned to Okinawa. The American Centers generally coordinate well with the consulates, but principal officers should be given responsibility for coordinating all public diplomacy activities in their consular districts.

Embassy Tokyo needs to address a number of significant real property issues, including the underutilization of some facilities. A memorandum of understanding between the chief of mission and USCINCPAC is needed to clarify responsibility for the security of military personnel in Japan not under the authority of a unified commander.

The embassy should devote greater attention to training Foreign Service national (FSN) employees. Although information systems are being updated, longstanding problems with Internet and e-mail access, connectivity, and the compatibility of systems maintained by separate agencies require greater attention in Washington as well as Tokyo. The communications needs of the constituent posts and consular operations merit special consideration. Procurement and contracting practices, both in Tokyo and at the constituent posts, were deficient in many cases.

Embassy Kampala, Uganda (ISP/I-99-05)

Embassy Kampala's staff is spread over seven locations. The chancery is crowded and inefficient. The embassy has tightened security procedures following the bombings in Kenya and Tanzania. Both the Ambassador and DCM are effective managers. U.S.-Ugandan relations are sound, although there are occasional strains caused by Uganda's extraterritorial activities and the slow pace of democratization. U.S. investments, exports, and trade to Uganda are growing.

The MPP is an excellent document, which the embassy has used to establish six core teams organized around MPP goals. Each team brings together relevant individuals from all agencies for monthly discussions of developments and issues.

One officer handles economic, commercial, and consular affairs, and the demand on all three services has increased greatly. The mission needs a new consular position to handle the needs of an expanding American community and the growing demand for consular services.

Embassy Kigali, Rwanda (ISP/I-99-06)

Four years after its reopening following the genocide of almost one million Rwandans, Embassy Kigali is still dealing with the loss of continuity and the psychological trauma of that tragedy. U.S. relations with Rwanda are generally positive, but continued Rwandan military involvement in the Democratic Republic of Congo raises U.S. concerns about regional security and stability.

The MPP is well drafted with a focus on U.S. humanitarian interests in Rwanda. However, it is not used as an active management tool. Section chiefs and agency heads should have an expanded and more structured dialogue on policy and programs.

Adequate management controls have not been established after the embassy reopened, following the 1994 fighting. Embassy Kigali should designate the DCM as the post's management controls officer and conduct a self assessment of financial and managerial risks and vulnerabilities. USIS Rwanda needs to devote attention to financial operations and property management. USIS financial files were not organized, and financial obligations were not closely tracked. Administrative, residential, and program property owned by USIS were not satisfactorily controlled, inventoried, and reconciled. An inventory needs to be conducted and a property management system implemented.

Embassy Bujumbura, Burundi (ISP/I-99-07)

The Ambassador has kept the number of employees at post to a minimum, given the unstable security situation. The executive office has maintained excellent access to Burundi's decision makers. Primary U.S. interests are to promote peace, provide humanitarian assistance to Burundians, and to assist the small number of American citizens.

Department support for Embassy Bujumbura has been inadequate. The Department has not commented on the embassy's MPP and has not established means to resupply the post regularly since Burundi's neighbors imposed an economic embargo in 1996.

The establishment of a defense attaché office and the addition of a second political officer are not advisable in light of current security concerns and the difficulties in supporting the post. The deployment of the Marine Security Guard Detachment is not justified under current standards.

Embassy Bujumbura was not performing well in tracking and controlling funds, following up on travel authorizations and advances, and in organizing and tracking bills of collection. The embassy should establish written management controls policies and clear outstanding prior-year accounts, especially for USIS Burundi (operations ceased in 1996).

Embassy Harare, Zimbabwe (ISP/I-99-08)

American interests in Zimbabwe are to encourage economic liberalization, democratization, racial harmony, and an end to its military intervention in the Congo. Commercial interests are limited, but have consumed a disproportionate share of post resources.

The USIS Zimbabwe operation is impressive. Its country performance plan has been fully coordinated with the embassy's MPP objectives. Excellent in-country contacts existed among educators, the media, government officials, business people, and human rights activists.

The embassy should concentrate on political and economic issues and should redirect the work of political, labor, and economic/commercial officers to these areas.

Despite immediate, energetic and effective measures to improve security in the wake of bombings in East Africa, the chancery compound does not meet security standards and should be replaced.

Certain interpersonal relations at post have been difficult, and embassy operations and morale have suffered as a result. Administrative support and diplomatic readiness are generally good to excellent, but real property holdings are extensive and excess property is likely to exist in the future. Although specific areas of financial and services operations need improvement, overall, management control responsibilities were satisfactorily addressed.

Embassy Lusaka, Zambia (ISP/I-99-09)

American interests in Zambia are to encourage the democratic government to undertake politically difficult policy reforms to reverse or slow economic decline and to strengthen parliamentary and judicial institutions. Zambia has also emerged as a potential mediator in the civil wars in the Democratic Republic of Congo and Angola.

The Ambassador and DCM have extensive experience in Africa and have effectively promoted U.S. influence with Zambian decision makers. Public diplomacy has been less successful. USIS operations in Zambia are limited and poorly coordinated with the mission goals. State Department, U.S. Agency for International Development (USAID), and other agency personnel cooperate unusually well on policy and resource planning.

The Department has not assigned sufficient trained personnel in key positions. The impact of AIDS on Zambian staff has exacerbated the lack of experience in many functions.

Embassy Lilongwe, Malawi (ISP/I-99-10)

Relations with Malawi are well managed by an experienced Ambassador who understands the scope of U.S. interests—fostering the growth of a democratic, free market society—and pursues these interests with intelligence and zeal.

The primary USIS audience is dispersed among three cities. The October 1999 consolidation of State and USIS combined with more effective use of the ICASS council should relieve the public affairs officer of substantial administrative responsibilities and allow the officer to focus more on countrywide program activities.

The quality and responsiveness of the administrative sup-

port services provided to mission personnel at this Special Embassy Program (SEP) post is only marginally satisfactory. This situation is the direct result of the extensive American staffing gaps, particularly over the past 6 months, plus the high turnover among FSN employees, and the lack of training of the FSN staff. As a whole, management controls were not satisfactory at either the embassy or USIS Malawi. There is not sufficient assurance that resources are accounted for properly. The inspection identified numerous management control weaknesses and called for both corrective action plans and temporary augmentation of the administrative staff.

Embassy Cairo, Egypt (ISP/I-99-11)

Strong bilateral relations with Egypt are key to U.S. strategic interests in the Middle East. Other key interests include working together against regional pariah states (Iraq, Libya, Sudan), the Gore-Mubarak Partnership in trade and development, antiterrorism efforts, and fostering of democracy and human rights. The Ambassador and DCM pursue these interests effectively, through intense diplomacy and a series of "cluster groups" which focus mission leadership and resources on U.S. policies and priorities. Post management gives special emphasis to security and the promotion of U.S. business interests. The Strategic Dialogue at the Foreign Minister level and the Gore-Mubarak Partnership have helped offset a common perception that U.S. interests in Egypt are confined to the Middle East Peace Process. The Ambassador and USIS have revitalized a cultural and American studies program.

Embassy Cairo is not always informed on Middle East Peace Process issues and initiatives. More timely feedback from senior Washington officials is needed.

Egypt has critical Y2K problems that will not likely be fixed before January 1, 2000. Disruptions of essential utilities, on which the embassy depends, can be anticipated in electric power and water, transportation and telecommunications, health care, banking, and pensions.

Public diplomacy is well-integrated into mission operations, and USIS is well positioned for consolidation. A public affairs strategy to publicize accomplishments and changes in U.S. assistance programs is needed. The USIS Alexandria program is effective and makes an important contribution to the embassy's public diplomacy initiatives. A USIS program funded by USAID with broad interagency mission support has sent many judicial grantees to the United States and improved the administration of justice in Egypt.

OIG recommended that the combined economic-political section prepare a formal internal reporting plan to cover Alexandria and lower Egypt to compensate for the loss of reporting since the consulate general closed in 1993.

The consular section provides excellent nonimmigrant visa and U.S. passport services and adjudicates immigrant, diversity visas and refugee documents in a timely fashion. The warden system is very efficient. Antifraud efforts should be reinforced.

Management controls were generally excellent. However, coordination between the regional security office and various mission administrative units needs to be improved. Clear guidelines need to be established governing use of the USIS Egypt trust funds. And the Department should give the embassy timely information on U.S. Government funds disbursed to international relief organizations providing refugee assistance in Egypt, to allow the embassy to monitor these programs.

Border Biometrics **(Laser Visa) Program** (ISP/I-99-12)

The Border Biometrics Program, also known as the Laser Visa Program, was initiated by the Department to comply with Public Law 104-208, the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. IIRIRA amended the Immigration and Nationality Act. Section 104 of IIRIRA requires that a biometric identifier (such as a fingerprint or handprint) be incorporated into border crossing cards by September 1999, and that entry into the United States be denied unless the biometric identifier on the card matches that of the alien. The Omnibus Consolidation and Emergency Supplemental Appropriation Act of 1999 (Public Law 105-277), amended IIRIRA, extending the deadline for implementation of the border crossing identification card to September 30, 2001.

The program is a partnership between the Department and the Immigration and Naturalization Service (INS). The laser visa replaces the border crossing card and is more tamperproof than previous documents; however, many problems reduce the effectiveness of the program. The lack of visa processing equipment at consular posts in Mexico and continued issuance of nonbiometric 10-year visas are problems that must be addressed by the Department. The Immigration and Naturalization Service, which has experienced delays in card production, checks

applications against an inadequate criminal database, and has no plans to check each alien's identification card at the border. Efforts by both the Department and the INS will be needed to correct these problems. These operational issues jeopardize the timely implementation of the program and compromise its enhanced border security protection.

The Department hired a contractor to augment the visa processing work through a Department of Justice governmentwide acquisition contract. OIG found that the Department's on-site supervision of the contractor's work is insufficient and should be improved. In addition, the Department of Justice expressed concern when construction work was added to the existing services contract. As a consequence, the Bureau of Consular Affairs canceled plans to construct temporary processing facilities in southern Mexico. This cancellation, the collocation of some temporary processing facilities with existing nonimmigrant visa units, and the congressional amendments to IIRIRA will require modification or cancellation of the services contract.

FOLLOWUP REVIEWS

U.S. Mission to NATO, Brussels, Belgium (ISP/C-99-03)

OIG found generally excellent compliance with the 1997 inspection. OIG confirmed that the agenda of the North Atlantic Treaty Organization (NATO) has continued to grow as the Alliance expands geographically and programmatically, but the U.S. Mission to NATO (USNATO) has not expanded commensurately. The mission is struggling to "do more with less." The staff is overworked, and morale has suffered.

USNATO is a unique integrated State-Defense mission to a multilateral treaty organization with a special administrative structure. OIG recommended that a joint State-Defense review group periodically examine the USNATO MPP and cross-agency requirements, such as a new NATO headquarters building (with space for USNATO), to determine what each agency can contribute most effectively.

USNATO has greatly improved internal controls, which now rank as a "best practice." OIG recommended joint oversight by the management agencies, State and Defense, and by those agencies' Inspectors General to preserve and extend the improvements in this unique mission. The followup review also cited as a "best practice" USIS's creative refocusing of a routine security conference into an informal but policy-relevant exchange between U.S. Government policy makers, NATO officials, and various international organization leaders.

An OIG-recommended cost-sharing agreement had been negotiated between State and Defense, but it should be reviewed by the interagency ICASS staff to see if ICASS methodology and cost control features can be incorporated.

Embassy Hanoi, Vietnam (ISP/C-99-13)

OIG found that Embassy Hanoi had complied with the recommendations contained in the original inspection report. One recommendation needed to be modified and reissued. There were no new recommendations. The relationship between the embassy and Consulate General Ho Chi Minh City is still developing, and the Ambassador and consul general are working assiduously to minimize what had been bothersome frictions. Some recommendations addressed to the Department had not been acted on in a timely fashion, but the review determined that the problems those recommendations addressed were handled by other means, were overtaken by events, or were under way to meet identified needs. While there has been

progress on some real property issues, several issues need to be addressed in the future. Construction work on the interim chancery has been completed, but agreement still must be reached with the Vietnamese Government on a permanent site. Construction must be completed on the office building for the consulate general in Ho Chi Minh City, and decisions will need to be made regarding the use or disposal of several U.S. Government-owned properties in Hanoi and Ho Chi Minh City.

Embassy Rangoon, Burma (ISP/C-99-14)

OIG found generally good compliance on the part of Embassy Rangoon with the previous inspection. OIG revised and reissued six recommendations and issued one new recommendation to adjust staffing changes that resulted from implementation of an original recommendation. Conflicting U.S. policy goals in Burma continue to lead to policy conundrums for the embassy, but guidance has clarified the parameters for contacts with Burmese groups. The senior staffing structure has been revised to

reflect actual assignments more accurately. The post complied fully with recommendations in the consular area, but possible conflicts with U.S. restrictions on Burma impeded implementation of a recommendation regarding enhancement of U.S. border security goals. OIG modified the recommendation in order to avoid that possible conflict. None of the recommendations dealing with real property questions has been implemented by the Department. The embassy continues to operate from an inferior structure. OIG reissued all real property recommendations.

Management Control Weaknesses Exacerbated at Small African Posts

Management control deficiencies are routinely identified in OIG inspection reports; however, recent inspections of African posts highlighted numerous systemic management control deficiencies. These problems are generally attributed to pervasive inadequacies in staffing, training, and regional support. A number of small African posts inspected suffer long staffing gaps, and infrequent, if any, visits by regional support functions. First-tour officers are often assigned to posts with untrained and inexperienced FSN staff. As a result, serious management controls deficiencies were identified in almost all administrative and consular areas. Management control oversight is often incorrectly viewed as solely the responsibility of the administrative/general service officers.

Security and Intelligence Oversight

During this 6-month period, the Office of Security and Intelligence Oversight (SIO) has continued its comprehensive program of security audits, inspections, and followup reviews. However, the August 1998 bombings in East Africa generated a substantial increase of activity related to SIO's review of physical security measures.

The security Audits Division completed the audit report *The Card Access Control System in Germany and Luxembourg*. This audit is part of OIG's evaluation of the Bureau of Diplomatic Security's (DS) overall management of card access control systems used at U.S. diplomatic facilities overseas. The system in Germany and Luxembourg was intended to control access to diplomatic facilities, to reduce the

cost of the DS Local Guard Program, and to provide a model for possible worldwide use. The acquisition of the card access control system reflected an attempt by DS to reduce costs. A number of recommendations were made concerning the vulnerabilities identified by OIG during the audit.

During this reporting period, OIG security oversight inspections were completed at eight embassies and associated constituent posts. These inspections identified vulnerabilities and recommended corrective action. In addition, four followup reviews were completed. Details on each of the security audit, inspection, and followup review reports are summarized in the classified annex to the semiannual report.

Changed Procedures for Bomb Threats

The terrorist attacks in Kenya and Tanzania last year challenged the current way of thinking about how we provide security for our posts overseas. The Office of Security and Intelligence Oversight reviewed previous security inspections and other documents to identify methods of making embassies worldwide safer from vehicle bomb attacks. During the course of this review, it became apparent that a change in embassy bomb procedures could save lives and limit casualties. OIG made recommendations aimed at strengthening embassy emergency preparedness.

Enhanced Inspections

Post management inspection teams, formerly comprised solely of employees from the Office of Inspections, will now be supplemented on selected inspections with a security officer from the Office of Security and Intelligence Oversight, if SIO has not inspected the post within the preceding year. The goal is to ensure that every post inspected by OIG is subject to a review of physical security, emergency preparedness, and post management's attention to security. In addition, SIO has formed a new team, the Security Enhancements Oversight group, to closely examine how emergency appropriation funds to enhance security at diplomatic posts worldwide are being used.

Overseas Security

OIG continues to make recommendations that have improved security for the Department and overseas missions. Although a program of sustained capital investment is essential to secure the diplomatic infrastructure in the future, such a program will not immediately alter the circumstances of personnel overseas. Even a major building program will leave the majority of missions vulnerable to some threats for several years. Therefore, since August 1998, OIG has concentrated considerable security oversight work on measures the Department might take now to mitigate the vulnerabilities we must inevitably live with in the next several years.

Lines of Authority. It is critical to remind chiefs of missions of their responsibility for the security of all official Americans at post. In our followup work in the wake of the 1997 Khobar Tower bombings, OIG has placed increased emphasis on the chief of mission's role in security in close coordination with regional U.S. military commanders. OIG inspections in South America also resulted in ambassadors establishing clear lines of authority for security over all U.S. Government personnel in the region.

Emergency Preparedness. Since 1988 there have been more than 130 evacuations involving thousands of evacuees. As a result of an audit on emergency evacuation, the Department reinstated its crisis management exercise program, which trains emergency action committees at posts on how to manage crises more effectively. The ability of posts to respond to emergencies is greatly enhanced by the Department's crisis management exercises and emergency drills.

New Alarms and Drills for Vehicular Bomb Attacks. The Department should develop new alarms and drills to prepare personnel to take immediate cover in the event of a possible vehicular bomb attack. OIG's report on emergency bomb procedures showed that the majority of casualties came from flying glass, and it also demonstrated the need for new alarm systems.

In the attacks on the embassies in Nairobi and Dar es Salaam, there were only seconds between the recognition that an attack was imminent and the blast that followed. The Accountability Review Board also recognized the critical importance of these few seconds in saving lives and recommended the immediate

implementation of a “duck-and-cover” alarm and drill. In November 1998, the Department instructed all missions to develop such drills. Since then, OIG has conducted more than a dozen security oversight inspections. At each post, the chief of mission strongly endorsed the recommendation for such drills.

Arranging Furniture. At some posts, activities as simple as rearranging furniture can protect lives. OIG has made recommendations on how office furniture might be arranged to provide greater protection from flying glass and falling debris.

Increasing Setbacks. Setback is the preeminent security concern at posts overseas. Setback provides the most protection from vehicle bombs. Since 1988 OIG has made almost 300 recommendations that could effectively increase setback at minimal cost. For example, at one mission OIG recommended that officials work with the local government to alter traffic patterns around the mission. At another mission, OIG proposed creating increased setback by extending control over street parking spaces. However, at other missions, the only way to effectively increase setback is to purchase adjoining properties, often at a cost of millions of dollars. In other cases, the mission itself must move to a new location to achieve any meaningful setback.

Local Guards. The lives and safety of our personnel depend in part on local guards. They generally work outside the perimeter of the mission and are the first line of defense. It was the local guards in Nairobi who prevented the bomb-laden truck from entering the embassy, where it would have caused even more destruction. Since 1988 OIG has made over 200 recommendations concerning local guards, including changes in local guard positions to increase coverage of missions’ perimeters. This would increase chances of providing early alert to a possible vehicular bomb attack.

Construction Security Oversight. OIG has provided continuous oversight of the Moscow chancery construction project. The Moscow Oversight Team was formed in response to the costly security mistakes made during previous construction efforts at Embassy Moscow. OIG evaluates the physical and technical security being built into the new chancery, as well as the security for construction personnel, on-site construction security, and contract management for the project.

Investigations

Embezzlement

OIG initiated an investigation in July 1998, based upon information indicating possible falsification of documentation by a cashier assigned to the U.S. Despatch Agency, Baltimore, Maryland. During the investigation, the cashier admitted to OIG investigators to having embezzled small amounts from the imprest fund for approximately 4 years. A review determined that the cashier had fraudulently received payments on more than 40 occasions, for a total amount exceeding \$6,000. On February 19, 1999, the cashier pleaded guilty in U.S. District Court to a felony count of theft of U.S. property. Sentencing is pending. (98-114)

Employee Misconduct

An OIG investigation determined that a senior liaison officer on detail from another agency used his office telephone and facsimile machine to conduct business for a private aviation firm that he owned. The officer agreed to repay the U.S. Government \$4,777 for the cost of the calls and the amount of the officer's salary calculated for official time spent placing the calls. (98-071)

An OIG investigation determined that a senior Department official received two gifts from local nationals in appreciation for the officer's assistance in an official matter. The officer subsequently failed to report the receipt

of these gifts to the Department. The combined total value of the two gifts was over \$1,500. On December 11, 1998, the Bureau of Personnel (PER) issued a letter of reprimand to the senior official citing the officer's poor judgment in failing to report the gifts to the Department. (98-110)

OIG initiated an investigation in June 1998, based upon the receipt of information indicating that a procurement analyst had improperly used a government computer to access the Internet for matters of personal interest. Investigation determined that the employee, on numerous occasions during duty hours, had spent substantial periods of time accessing various Internet websites, which had no relationship to government business. On January 15, 1999, after reviewing an OIG report of investigation, PER proposed a 14-day suspension without pay. On March 24, 1999, PER advised that, after review of the employees response to this proposal, the final decision was a suspension of 5 days without pay. (98-112)

An OIG investigation determined that, within one year of leaving the Department, a former senior official made requests to U.S. Ambassadors for official action, in furtherance of business for a new employer. On February 9, 1999, a settlement agreement was entered into between the former official and the U.S. Department of Justice,

The OIG Investigative Process

In response to concerns voiced by some in the Foreign Service and elsewhere regarding the OIG investigative process within the last year, OIG staff have endeavored to better inform employees of their rights and obligations if they become involved in an OIG investigation.

Since April 1, 1998, OIG staff have visited 29 posts abroad, seven Passport Agencies, and 26 Department bureaus to give presentations on the OIG investigative process. Our pamphlet, *The OIG Investigative Process*, was distributed at each of these meetings. In October 1997, these pamphlets were disseminated to all posts abroad and domestic bureaus of the Department of State. The presentations included candid question and answer discussions on such issues as: • Standards for opening a criminal investigation; • Federal laws regarding due process; • Legal and union representation rights; • Notifications to subjects of investigation; • The requirement to coordinate and work with Department of Justice prosecutors

Employees also expressed interest and, in some cases, concern, with the OIG requirement to respond to Congress and the Department when name checks for promotion, tenuring, and other personnel actions occur on an individual who is currently, or has in the past, been the subject of an investigation. In these situations, our requirement in law to report directly to the Congress and our obligation to inform the Department was thoroughly discussed.

wherein the individual agreed to pay \$5,000 to resolve this matter. (98-116)

Passport Fraud

OIG received information in September 1998 that an individual applying for a vehicle title had presented to the Virginia Department of Motor Vehicles a suspicious passport as identification. When interviewed by OIG investigators a few days later, this individual admitted to being an illegal alien and to having obtained this passport from the Los Angeles Passport Agency after presenting a fraudulent birth certificate and driver's license. The individual acknowledged numerous instances of international travel using this passport, including multiple trips to Guatemala to sell vehicles, but denied that the vehicles had been stolen in the United States.

Subsequent to this confession, the subject was arrested by local authorities; pleaded guilty on October 28, 1998, in state court to a misdemeanor charge; and was later

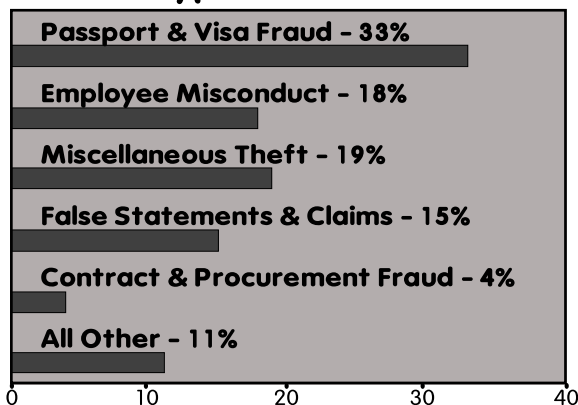
remanded to the custody of federal authorities, based on indictment for passport fraud in the Western District of Virginia on October 5, 1998. On December 28, 1998, INS issued a Final Order of Deportation, to be executed upon the completion of the federal criminal process. On January 11, 1999, the subject was charged in a superseding indictment with an additional felony count of Social Security fraud. He remains incarcerated pending the disposition of these charges. (98-127)

OIG participated in a joint investigation with the New York City Police Department, and New York state investigators, into allegations that an individual operating in the New York City area was involved in a scheme to sell fraudulent U.S. passports and New York driver's licenses, along with other fraudulent documentation. During an undercover operation, this individual provided several fraudulent driver's licenses, and promised to provide a fraudulent passport, for which he accepted payment. Based upon this evidence, the subject was

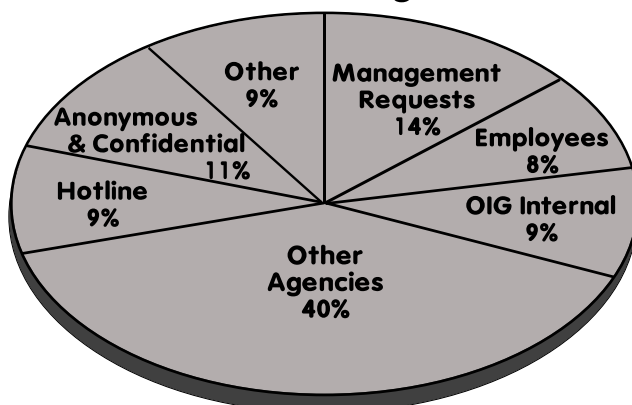
arrested on a federal criminal complaint and, on February 14, 1999, entered a guilty plea to a felony charge of criminal conspiracy in U.S. District Court, in connection with his participation in a conspiracy to unlawfully transfer false identification documents. Sentencing is pending. (97-134)

An investigation by OIG was initiated based upon a classified advertisement claiming that U.S. passports and other official identification could be obtained for a fee sent to an address in Chicago, Illinois. An OIG response to the advertisement resulted in a letter, postmarked in Tallahassee, Florida, which requested monetary payment be sent to the Press company, located in Toronto, Canada. On December 8, 1997, OIG attempted to purchase 12 U.S. passports by sending postal money orders to Press. No passports were ever received. The money orders were ultimately deposited in a bank account in Tallahassee, on December 30, 1997. OIG found that the bank account was maintained in the name of the Nu Press company. All checks to the ac-

Types of Cases*

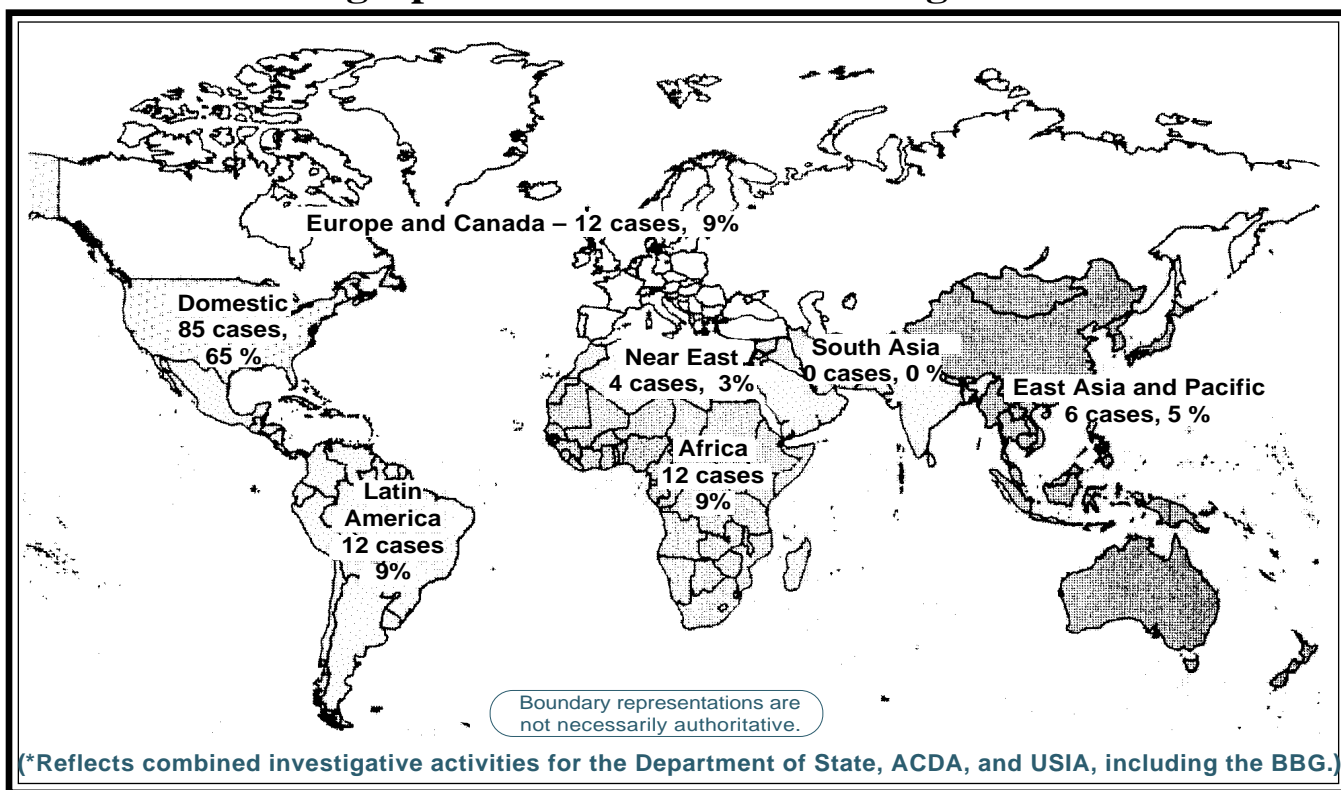


Sources of Allegations*



*(These charts reflect combined investigative activities for the Department of State, ACDA, and USIA, including the BBG.)

Geographic Distribution of Investigations*



count were negotiated by an individual who was also found listed in the Nu Press articles of incorporation. Records checks disclosed, however, that the individual had died in 1995. Our investigation also disclosed an active post office box in Tallahassee for this individual. Through surveillance of the post office box, OIG established that another person had assumed the individual's identity and was using the postal box.

On October 8, 1998, pursuant to a federal warrant, this individual was arrested by OIG at his residence and charged with mail fraud. Bond was set at \$100,000 and he was remanded to local authorities for state warrants on similar scams. Following his arrest, this individual was disclosed to be em-

ployed as a tax auditor for the Tax Revenue Department of Florida. The individual never manufactured any U.S. passports or other identification documentation, but simply retained the fees sent to him. On December 14, 1998, the individual pleaded guilty to one count of violating 18 U.S.C. 1341, Mail Fraud. On March 3, 1999, the individual was sentenced to 3 years probation and must serve the first 3 months in a halfway house. He was also ordered to perform 300 hours of community service and was fined \$1,000 in addition to the mandatory Special Assessment Fee of \$100. OIG has also been advised that the individual lost his job with the State of Florida. (97-034)

Procurement Fraud

Based upon information received from an East Asian post, OIG initiated an investigation in December 1998 into allegations that an FSN employee had altered post procurement documents so that the post would pay for services that had not been ordered and were not received. An investigative team traveled to Post in January 1999 and developed evidence that the employee had engaged in a pattern of fraud and theft. A local law enforcement agency was apprised of this information and agreed to participate in a joint investigation.

On January 20, the employee was arrested on criminal charges, and a search warrant was executed on the premises of a local vendor. During an interview with investi-

gators, the employee admitted to having engaged in fraud and was terminated from employment on February 5, 1999.

The investigation is continuing to develop evidence concerning the amount stolen, and the number of vendors who may have been involved in corrupt relationships with the former employee. The post conducted an audit of records pertaining to all procurement expenditures for the past 3 years, which developed substantial evidence of alterations of invoices, as well as the creation of false, inflated invoices. The evidence developed to date indicates the total amount of fraudulent payments exceeds \$200,000.

The former employee has been released on bond, pending resolution of the criminal charges. (99-015)

Visa Fraud

In May 1997, OIG received information from a cooperating informant that a travel agency operating in Brooklyn, New York, was altering U.S. visas and using them to illegally obtain legitimate social security cards. With the assistance of the Social Security Administration's Office of Inspector General and the INS, several undercover purchases of social security cards were made. The subjects used altered alien passports with a counterfeit I-551 Alien Document Identification Telecommunication stamp to vouch for the alien's lawful permanent residence in the United States. The I-551 is effectively a visa for permanent residence usually issued by INS.

A search warrant was executed at the travel agency in July 1998 and resulted in the recovery of various incriminating documents, including counterfeit social security cards, envelopes containing foreign passports bearing fraudulent INS stamp impressions, and confirmation letters from the Social Security Administration stating that applications for social security numbers were being processed.

In November 1998, both subjects were indicted on document fraud, conspiracy, and visa fraud charges. On January 22, 1999, both defendants pleaded guilty to one count of the indictment, wherein it was alleged that they knowingly and intentionally conspired to defraud the United States by submitting and causing to be submitted altered passports containing counterfeit I-551, in order to fraudulently obtain social security cards. (97-116)

FOLLOWUP ACTIONS

Embezzlement

OIG opened an investigation in April 1997, based upon information that an assistant disbursing officer at the Charleston Financial Services Center, Charleston, South Carolina, may have embezzled Department funds. The investigation determined that the employee had stolen more than \$193,000 and had used several bank accounts in other names to further this scheme. When interviewed by OIG investigators, the employee admitted to using stolen funds to purchase crack cocaine. He subsequently resigned from the Department, entered guilty pleas to 19 felony counts, and, on June 2, 1998, was sentenced to 21 months' imprisonment, 36 months' parole, and was ordered to make full restitution. On October 14, 1998, this individual was again indicted, on a felony charge of possession of cocaine. Resolution of this charge is pending.

On August 14, 1998, one of the employee's former associates entered a plea of guilty to one count of

money laundering; sentencing was postponed as this individual agreed to cooperate in the investigation. On January 28, 1999, another former associate, who had been the employee's principal drug supplier, pleaded guilty to one count of distribution of a controlled substance, and one count of money laundering. Sentencing is pending. (97-081) (*See OIG Semiannual Report, April 1 to September 30, 1998, p. 38.*)

Employee Misconduct

A Foreign Service officer paid \$4,427 to reimburse the Department for the cost of personal telephone calls placed on an official telephone. A Report of Investigation was forwarded to the Director General of the Foreign Service and resulted in the officer's receiving an official letter of reprimand for his actions. (98-075) (*See OIG Semiannual Report, April 1 to September 30, 1998, p.36.*)

False Claims

On January 13, 1999, a former State Department contractor entered into a civil settlement with the Department of Justice resulting in recoveries totaling \$54,000. The contractor, who had provided safe and lock services to the Department, had previously been convicted on 17 criminal counts of false claims. The President of the company had been sentenced to 18 month's imprisonment, and the company had been debarred from government contracting for a period of 3 years. (93-087) (*See OIG Semiannual Report, October 1, 1995 to March 31, 1996, p. 30*)

Theft

In November 1997, OIG was advised by a Department employee that \$1,700 had been stolen from him at work. The investigation disclosed thefts from other employees. OIG coordinated with the Arlington County Police Department and conducted a joint interview of the primary suspect. The employee admitted to stealing money from several employees. On March 3, 1998, after she tendered her resignation from her position with the Department, she was arrested by the Arlington Police on a local warrant. On June 2, the employee pled guilty to two counts of felony theft. She was sentenced on October 9, 1998, to 3 years of incarceration, which was suspended in favor of supervised probation for 3 years. Under the terms of probation the employee is required to make full restitution of \$2,800 to her former coworkers. (98-021) (*See OIG Semiannual Report, October 1, 1997, to March 31, 1998.*)

Visa Fraud

OIG initiated an investigation in April 1998, based upon information that an individual residing in Hartford, Connecticut, was involved in arranging fraudulent marriages for aliens, in order to assist these aliens in obtaining fraudulent U.S. visas. The investigation developed evidence that this individual had arranged at least 30 sham marriages between aliens and U.S. citizens over a 5-year period, charging a fee of \$6,000 for arranging each marriage. Fraudulent supporting documents, designed to assist in obtaining the visas, were also provided.

In July 1998, the principal subject and nine co-conspirators were indicted and arrested for conspiracy to commit visa fraud. In November and December 1998, the principal subject and six co-conspirators pleaded guilty to felony charges of visa fraud. One of these individuals was sentenced in January 1999 to 6 months confinement (suspended), 3 years' probation, and a fine of \$500; in February 1999, a second individual was sentenced to 2 years' probation, and a \$100 special assessment. Resolution of charges against the other subjects remains pending. (98-092) (*See OIG Semiannual Report, April 1, 1998, to September 30, 1998, p. 33.*)

HOTLINE

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees to report incidents of fraud, waste, abuse, and mismanagement to the Inspector General. The following table provides a summary of Hotline activity for all of the agencies for which OIG has oversight.

Total allegations received	92
Held for action within OIG	14
Referred to other offices for action	72
Not substantiated—no action necessary	6

Appendix 1: Investigative Activities¹

Workload		Total Judicial Actions	55
Cases pending 9/30/98	132	Criminal	
New cases opened	32	Prosecutive referrals	23
Cases closed	47	Prosecutive declinations	8
Cases pending 3/31/99	117	Prosecutive dismissals	0
Total Administrative Actions	14	Acquittals	0
Admonishments	0	Indictments ²	5
Counseling	0	Convictions	13
Curtailment	0	Sentencings	6
Debarments	0	Time sentenced	6 months
Demotions	0	Time suspended	0
Reimbursements	1	Time probation	10.1 years
Reprimands	3	Court-ordered fines	\$ 725
Resignations	0	Court-ordered restitutions	\$3,780
Suspensions	1	Civil	
Terminations	1	Referrals	0
Administrative referrals	7	Declinations	0
PFCRA ³ referrals	0	Complaints	0
PFCRA declination	0	Judgments	1
PFCRA reimbursements	0	Recoveries	1
Savings	1	Total judgments and recoveries	\$59,000

Administrative recoveries ⁴	\$ 19,730
Judicial recoveries ⁵	\$ 63,505
Total Investigative Recoveries	\$ 83,235

¹ This appendix reflects investigative statistics for the Department of State only. Please see pages 44, 53, and 57 for investigative statistics related to USIA, BBG, and ACDA, respectively.

² Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Audits

99-FM-002	Florida Regional Center	1/99
99-FM-003	Department of State 1997 Consolidated Financial Statements	12/98
99-FM-004	ICASS Financial Statements	12/98
99-CI-005	International Law Enforcement Academy, Budapest, Hungary	1/99
99-PP-006	Real Property Advisory Board	2/99
99-PP-008	Report on Inquiry into Former Contractor Allegations	3/99
99-PP-009	Unreasonable Contractor Profit on an Asbestos Abatement Project	3/99
99-PP-011	Report on Inquiry into Contractor Allegations	3/99

Inspections

ISP/I-98-44	Embassy Singapore and USIS Singapore	10/98
ISP/I-99-01	Embassy Kuala Lumpur and USIS Malaysia	11/98
ISP/I-99-02	Embassy Jakarta, Indonesia	11/98
ISP/I-99-04	Embassy Tokyo	2/99
ISP/I-99-05	Embassy Kampala, Uganda	2/99
ISP/I-99-06	Embassy Kigali, Rwanda	1/99
ISP/I-99-07	Embassy Bujumbura, Burundi	1/99
ISP/I-99-08	Embassy Harare, Zimbabwe	2/99
ISP/I-99-09	Embassy Lusaka, Zambia	2/99
ISP/I-99-10	Embassy Lilongwe, Malawi	2/99
ISP/I-99-11	Embassy Cairo, Egypt	2/99
ISP/I-99-12	Border Biometrics (Laser Visa) Program	2/99

Followup Reviews

ISP/C-99-03	U.S. Mission to NATO, Brussels, Belgium	2/99
ISP/C-99-13	Embassy Hanoi, Vietnam	3/99
ISP/C-99-14	Embassy Rangoon, Burma	3/99

Security and Intelligence Oversight

See the Classified Annex to the Semiannual Report for SIO reports.

Contract Audits

Vendor	Audit Number	Type
MacFadden & Associates, Inc.	PA-BB-CG-99-01	Incurred Cost
Delaware Cornerstone Builders, Inc.	PA-BB-CG-99-02	Incurred Cost
Garcia Roofing, Inc.	PA-BB-CG-99-03	Labor Hour Rates
The Marshall Legacy Institute	PA-BB-CG-99-04	Labor Hour Rates

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	1	145	0
B. Which were issued during the reporting period	1	4	0
Subtotals (A + B)	2	149	0
C. For which a management decision was made during the reporting period	1	4	0
— based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period	1	145	0
Reports for which no management decision was made within 6 months of issuance	1	145	0

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	4	7,346
B. Which were issued during the reporting period	3	500
Subtotals (A + B)	7	7,846
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
— based on proposed management action		
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	7	7,846
Reports for which no management decision was made within 6 months of issuance	4	7,346

¹ A "recommendation that funds be put to better use" is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations¹ Pending Final Action²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	9/30/93
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
4-FM-014		<i>Followup Audit of Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service</i>	3/31/94
	7.	Develop and issue formal policies and detailed procedures for K Fund operations, identifying the restrictions on the use of the funds, responsibilities for specific K Fund functions, and internal controls required. This recommendation will be administratively closed when OIG completes its new K Fund audit, Operations and Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service. The essence of the recommendation will be repeated in the new report.	
5-FM-007		<i>Review of Financial Systems Development</i>	3/31/95
	2.	The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to March 31, 1998, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

Administration of Government Housing (98-PP-003), February 1998

Summary: OIG made 3 recommendations to A/FBO. Two of the recommendations related to the oversight and collection of fees for the use of temporary duty housing. The third recommendation dealt with a change to the housing waiver standards consistent with the emphasis on personal and professional requirements of the employee at a cost most advantageous to the government.

Reason Unresolved: A/Fbo believes that existing standards for housing waivers are sufficient and that it does not have responsibility for oversight and collection of fees for temporary duty housing.

To be resolved by: September 1999

Audit of the Classified (Red) Mainframe System's Security (SIO/A-97-02), October 1996

Summary: OIG made 12 recommendations to establish a security program and plan for the system, to address risks found during the audit and to ensure that responsible officials are identified and kept informed about the system's security. Five of those recommendations were to the Under Secretary for Management and seven to the Assistant Secretary for Administration. An additional two recommendations to the Assistant Secretary were added at Management's request to address the alternative of migrating the system's functions to other processing environments.

Reason Unresolved: While the Assistant Secretary for Administration agreed to establish security policy and related audits and controls for the classified mainframe system, correspondence has not been provided for agreement on five recommendations to the Assistant Secretary. No formal correspondence from the Under Secretary for Management has been received. However, an informal request from the Under Secretary's office to redirect the recommendations was declined. That request was declined because the audit found that the system's security was at risk as the result of fragmented responsibility between bureaus and that involvement by the Under Secretary to resolve the fragmentation is needed.

To be resolved by: December 1999

Audit of the Management of Secure Communications (SIO/A-97-15), March 1997

Summary: OIG recommended that the Director General of the Foreign Service and the Director of Personnel require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screening process prior to each assignment.

Reason Unresolved: Department officials agreed that the personnel security process needed to be improved, but that it should be "linked to posts' critical threat levels and the vulnerability

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

of the positions and personnel pending assignment.” OIG believes the Department needs an effective approach, not only for the relatively small set of critical threat posts, but also for the hundreds of noncritical threat posts.

To be resolved by: December 1999

Summary: OIG recommended that M/DGP take the following actions to address the suitability concerns involving potential national security implications of personnel who are posted overseas: coordinate with CIA’s Office of Personnel Security, on a lessons learned basis, to determine the requirements, including resources, to develop and implement a special screening process; request from the Under Secretary for Management, the resources necessary to develop and implement a special screening process; and develop and implement a program to advise management of personnel with suitability concerns involving potential national security implications who are posted overseas.

Reason Unresolved: M/DGP has not formally responded to this recommendation.

To be resolved by: December 1999

Summary: OIG recommended that M/DGP identify Department personnel, such as COM, DCM, front office secretaries, executive assistants, political officers and others, who may as a result of their job or access to classified or sensitive information, be the target of exploitation by foreign intelligences service as discussed in PDD/NSC-12.

Reason Unresolved: M/DGP has not formally responded to this recommendation.

To be resolved by: December 1999

Audit of the 24-Hour Protection of Classified Materials (SIO/A-96-16), March 1997

Summary: OIG made 19 recommendations to enhance the Department’s safeguarding of classified material at overseas posts. Five of those 19 recommendations remain unresolved, three of which were tasked to the Assistant Secretary for Diplomatic Security and two of which were assigned to the Deputy Secretary. Diplomatic Security has formally responded and analysis is ongoing by OIG/SIO. The Deputy Secretary has yet to respond, formally or informally, to the report and subsequent followup requests.

Reason Unresolved: Formal analysis of Diplomatic Security’s latest response package is ongoing within OIG/SIO and the Deputy Secretary has not responded to the recommendations directed to him.

To be resolved by: May 1999

U.S. Information Agency

Including the Broadcasting Board of Governors

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AUDITS

United States Educational Foundation, Pakistan (99-CG-001)

OIG reviewed the United States Educational Foundation in Pakistan at the request of USIA's Bureau of Education and Cultural Affairs (E Bureau) to determine whether the Foundation adequately accounted for Federal funds and complied with applicable laws and regulations. The audit covered activities conducted during the period FY 1995-97

The audit disclosed that the Foundation adequately accounted for Federal funds and employee retirement funds. Furthermore, the Foundation generally complied with applicable laws and regulations, but surplus funds totaling as much as \$262,000 accumulated at the Foundation during the audit period. Foundation administrative costs were higher than necessary because Foundation personnel received excessive pay for duties performed, the executive director's contract allowed payment for personal expenses normally paid by the individual, and the Foundation allowed \$2,900 in unauthorized transportation costs. Restructuring the organization and reclassifying jobs to more accurately reflect the duties performed would result in

annual savings of about \$21,000. USIA also did not provide adequate financial oversight to ensure that funds were spent for their intended purpose. The Foundation had neither established adequate internal controls over property nor clearly defined or implemented certain personnel policies. The Foundation implemented its approved program; however, problems existed in reporting program information and identifying program results. Both USIA and the Foundation generally agreed with the report's findings and recommendations.

National Endowment For Democracy (99-CG-007)

The National Endowment for Democracy Act (Public Law 102-138), as amended in 1991, states that the OIG for USIA shall audit the National Endowment for Democracy (the Endowment) each fiscal year. In this audit, OIG reviewed the Endowment's transactions for FY 1994-96. The primary objective of the review was to determine whether the Endowment and its core grantees complied with OMB procedures for administering and

monitoring the use of grant funds. In addition, we assessed the Endowment's procedures and practices for accounting for private contributions, planning program objectives, coordinating program proposals with other agencies, and assessing program results.

OIG found that the Endowment and its core grantees generally complied with OMB Circular A-133 audit requirements during the audit period. But improvements should be made in the selection of outside auditors, presentation of financial data in the OMB A-133 Schedule of Federal Awards, and completion of invoice verifications. In addition, the Endowment accounted for private contributions and had developed an approach for planning, coordinating, and evaluating its programs as recommended in prior GAO reports.

Endowment officials agreed with the thrust of the report's observations and recommendations, and we revised this report to incorporate Endowment comments where appropriate. With respect to competing their A-133 audits, the Endowment prepared a Request for Proposal that will be used to compete its OMB A-133 audit for FY 1999. In addition, the Endowment officials stated that the FY 1998 audit report would identify USIA activity separately by grant numbers in the Schedule of Federal Awards.

Nonfederal Audits of Nonprofit Institutions

During the 6-month reporting period, OIG completed seven analytical desk reviews of single audit reports with USIA and Department of State expenditures totaling approximately \$5.6 million. Our efforts in this area have been reduced because single audit reports, under the revised OMB Circular A-133, must be forwarded to the Federal clearinghouse. Under this new process, we receive only reports with findings and recommendations. The primary purpose of the desk review was to assess the quality of non-Federal audits. Prior reviews have shown that many single audit reports did not meet applicable standards. The clearinghouse has also reported a significant rejection rate. Therefore, we are working with the OIG Single Audit Coordinators to effectively address OMB's interest in the development of a Governmentwide program to assess the quality of non-Federal audits.

INSPECTIONS

Embassy Bujumbura, Burundi (ISP/I-99-07)

Embassy Bujumbura is not performing well in tracking and controlling funds on behalf of USIS operations. A review of the P-62 reports from Financial Service Center Paris revealed uncleared obligations for FY 1994 through FY 1997. In addition there are numerous instances of liquidations without obligations that have not been corrected from as far back as FY 1994. Some of these appear to be simple errors in fiscal data. Overobligations from these years have not been adjusted. USIS financial records have not been cleared, even though USIS operations ceased in 1996. Overliquidations remain in these accounts for FY 1994 and FY 1995. OIG recommended that Embassy Bujumbura, in coordination with USIA, clear the remaining USIS Burundi accounts and purchase orders for past fiscal years.

U.S. Information Service Egypt (ISP/I-99-11)

Public diplomacy is well integrated into mission operations, and USIS is well positioned for consolidation. A public affairs strategy to publicize accomplishments and changes in U.S. assistance programs is needed. The USIS Alexandria program is valuable and effective. Several OIG recommendations address problems at the Fulbright Commission. A USIS program funded by USAID with wide inter-agency mission support has sent many judicial grantees to the United States and improved the administration of justice in Egypt.

State Department/USIS consolidation probably poses fewer challenges for Cairo than for most posts because of the existing integration of public affairs into the mainstream of the mission. USIS has focused media attention on the massive U.S. assistance program, but Egyptian editorial criticism of

the United States continues to obscure that effort. OIG recommended that Embassy Cairo develop a public affairs strategy to highlight accomplishments and explain changes in the U.S. assistance programs to key audiences.

The Voice of America (VOA) Cairo Bureau was downsized in recent years. VOA Arabic language broadcasts have a modest audience on short wave, and more on medium wave, and is eagerly monitored during periods of crisis or breaking news on the Middle East.

U.S. Information Service Japan (ISP/I-99-04)

The impending consolidation of the State Department and the U.S. Information Agency is a preoccupation, especially among USIS FSNs who fear for their jobs. USIS-run American Centers generally coordinate well with the consulates. A more integrated approach is needed rather than separate operations. The clearest way to achieve this is by giving the principal officer at each consulate the responsibility for coordinating all public diplomacy activities within the consular district. Under existing arrangements, there is a tendency for public diplomacy to be reactive, in part reflecting the high concentration of USIS resources in Tokyo. The allocation of resources between Tokyo and the branch posts should be reexamined. Too much of the present public diplomacy effort is directed at Tokyo audiences. A branch public affairs officer should be assigned to Okinawa, where most of the U.S. military is located.

U.S. Information Service Malaysia (ISP/I-99-01)

USIS Malaysia has successfully engaged an increasingly well-educated audience in a broad spectrum of bilateral, regional, and global issues through effective information outreach and educational exchange programs. Internal management controls were generally effective.

U.S. Information Service Malawi (ISP/I-99-10)

A major challenge to the successful accomplishment of USIS Malawi's goals and objectives is the dispersal of its primary audience among three cities. This causes the public affairs officer (PAO) to travel frequently and results in this officer being spread too thin. The October 1999 consolidation of State and USIS combined with more effective use of the ICASS council should relieve the PAO of substantial administrative responsibilities and

allow the officer to focus more on program activities.

U.S. Information Service Singapore (ISP/I-98-44)

The mission performance plan (MPP) directs USIS public diplomacy activities. In its country performance plan (CPP) for FY 1999, ambitious, but well-focused goals were crafted to respond to MPP goals and objectives. For FY 1999, the MPP includes a public diplomacy goal that brings together all mission elements in support of public diplomacy initiatives, and that is reinforced in the CPP. USIS developed four goals to address regional security and political issues, democracy and human rights, U.S. international trade and investment policies, and the understanding of U.S. society and values. USIS should reexamine its planned programs and activities and determine which can be reduced, eliminated, or further consolidated.

FOLLOWUP REVIEW

U.S. Information Service Burma (ISP/C-99-14)

USIS Burma continues to play an important role in the mission's efforts to advocate democracy despite severe State Peace and Development Council efforts to control its activities. The USIS information resource center is an active and popular venue for Burmese who have limited access to unmanipulated information. Its content-based English language-teaching program has been effective in reaching the successor generation and improving knowledge of the United States. USIS focuses on potentially influential institutions and organizations and produces a variety of publications that are in great demand. The post uses a wide variety of preprogramming tools to reach its audience and fulfill its goals.

Appendix 1: Investigative Activities

Workload		Total Judicial Actions	4
Cases pending 9/30/98	20	Criminal	
New cases opened	1	Prosecutive referrals	1
Cases closed	7	Prosecutive declinations	2
Cases pending 3/31/99	14	Acquittals	0
		Indictments	0
Total Administrative Actions	9	Convictions	0
Administrative referrals	6	Sentencings	1
Counseling	2	Time sentenced	6 months
Reimbursements	1	Time probation	5 years
Termination	0	Court-ordered fines	\$ 100
Reprimands	0	Court-ordered restitution	\$25,949
Demotions	0	Civil	0

Administrative Recoveries	\$ 6,512
Judicial Recoveries	26,049
Total Recoveries	\$32,561

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

99-CG-001	U.S. Educational Foundation, Pakistan	12/98
99-CG-007	National Endowment for Democracy	2/99

Office of Inspections

ISP/I-98-44	U.S. Information Service Singapore	10/98
ISP/I-99-01	U.S. Information Service Malaysia	11/98
ISP/I-99-04	U.S. Information Service Japan	2/99
ISP/I-99-07	Embassy Bujumbura, Burundi	1/99
ISP/I-99-10	U.S. Information Service Malawi	2/99
ISP/I-99-11	U.S. Information Service Egypt	2/99

Followup Review

ISP/C-99-14	U.S. Information Service Burma	3/99
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Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands) Questioned Costs	Unsupported Costs*
A. For which no management decision has been made by the commencement of the reporting period	7	3,165	2,369
B. Which were issued during current reporting period	1	3	0
Total	8	3,168	2,369
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	2	2,352	2,307
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	2	2,352	2,307
D. For which no management decision has been made by the end of the reporting period	6	816	62
Reports for which no management decision was made within 6 months of issuance	5	813	62

* Unsupported Costs are included in the Total Costs.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	100 *
B. Which were issued during the reporting period	1	283
Total	2	383
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	2	383
Reports for which no management decision was made within 6 months of issuance	1	100

* An entry of one report for \$100,000 was inadvertently omitted from a previous semiannual report.

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
93-A-34/ ARR-95-08		<i>Grants Management Followup</i> 5. Require monthly reporting requirements on the project's status. 6. Ensure that data in the grants system is reconciled with data in other grant-related systems.	3/31/95
ARR-96-07		<i>Exchange Visitor Information System</i> 3. Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	3/31/96

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

International Development Exchange (A-92-24) November 1992

Summary: OIG made recommendations on questioned costs of \$59,498 and accounting system deficiencies.

Reason Unresolved: The Office of Contracts deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department on July 15, 1994.

To be resolved by: Unknown; case in litigation.

Delphi International Group (A-92-23) December 1992

Summary: OIG questioned grant costs totaling \$253,772, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$117,179 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1999

North/South Center (ARR-94-03) March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason Unresolved: USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and is awaiting additional information from the bureau.

To be resolved by: October 1999

Delphi International Group (ALR-94-03) March 1994

Summary: OIG questioned grant costs totaling \$202,188, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$110,147 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1999

International Institute of Wisconsin (CG-96-01) September 1996

Summary: OIG questioned \$46,626 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program, excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1999

International Broadcasting

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AUDITS

Selected Radio Free Europe/Radio Liberty Administrative Practices (99-IB-012)

The objective of this review was to determine the progress made by Radio Free Europe/Radio Liberty (RFE/RL) management to correct previously reported weaknesses or deficiencies related to procurement and contract activities, personnel practices, travel practices, and property management. In collaboration with the Broadcasting Board of Governors, RFE/RL has made major strides in correcting some of its deficiencies but still needs to take corrective action on a sole source labor services contract.

The contract, which provides almost 50 percent of RFE/RL's workforce, has never been properly subjected to free and open competition as required by OMB circulars on grants and nonprofit organizations. OIG recommended that BBG direct RFE/RL to correct this through appropriate competitive procurement action. OIG also recommended that RFE/RL ensure that it has the necessary organization in place to conduct competitive procurements at the RFE/RL Broadcast Center. After reviewing RFE/RL's procurement procedures, OIG made two additional recommendations designed to ensure verification of contractor reimbursable

cost information and to eliminate a potential conflict of interest situation for employees and contractor personnel engaging in procurement functions.

Other weaknesses were created by RFE/RL management's relationship with the firm holding the labor services contract. Some RFE/RL managers perform activities that the contractor is paid to do, in some cases even directly supervising contractor employees. OIG recommended that RFE/RL cease this practice and fill positions requiring direct control by other means, such as through personal services contracts. RFE/RL managers are also interviewing and selecting personnel, appraising personnel performance, and approving and directing the contractor to grant salary increases, bonuses, and promotions—again, services that the contractor is being paid to provide. Engaging in these activities has created a conflict of interest for certain RFE/RL managers who are responsible for the issuance and administration of this same contract. OIG recommended that RFE/RL amend the contract terms to equate payments to the contractor to the level of management services provided

and to specify the managerial responsibilities of both the contractor and RFE/RL. In addition, OIG found that RFE/RL is providing benefits to contractor employees, such as paid sick leave and training, that are outside the contract. OIG recommended that these benefits either be included within the contract terms or separately approved by BBG in the Grant Agreement.

RFE/RL's improvements include reducing the number of executive positions, eliminating excessive grades and compensation, establishing compliant travel and home leave policies and procedures uniformly applied to all employees, developing property management policies and controls, and establishing a Central Property Office that completed two physical inventories. With respect to OIG recommendations for improvement, the Chairman of BBG said the Board was committed to correcting the deficiencies related to RFE/RL's labor services contract. The Chairman also said the board was hiring an independent consultant to review how RFE/RL can best obtain labor services in Prague, Czech Republic.

INVESTIGATIONS

FOLLOWUP ACTIONS

False Claims

OIG conducted an investigation based upon information that an international broadcaster employed by the Office of Cuba Broadcasting had submitted fraudulent relocation vouchers for expenses related to a 1996 reassignment from Washington, DC, to Miami, Florida. As a result of evidence developed during the investigation, the employee entered a guilty plea in U.S. District Court, Miami, Florida, to a felony charge of filing a false claim. The employee then submitted his resignation from employment, effective November 6, 1998. On December 3, 1998, he was sentenced to 3 years' probation, restitution of \$1,820, a fine of \$500, and a court fee of \$100. (97-055) (*See OIG Semiannual Report, BBG, April 1, 1998 to September 30, 1998*).

OIG Support for Broadcast Activities

OIG continues to play an active role in international broadcasting areas other than its formal reviews. Such as, in an effort to enhance security awareness, OIG's Office of Security and Intelligence Oversight briefed the BBG on the implications of terrorist threats to RFE/RL operations in Prague.

In November 1998, OIG attended the annual Conference for International Broadcasters Audience Research in Paris to kick off a review to assess the efforts of the BBG and its broadcasting entities in establishing a reliable audience research capability. The 1998 conference, held at Radio France Internationale, provided a venue for all key representatives of the major broadcasters of the world to discuss current developments of the past year in the audience research field. The conference presented OIG with the opportunity to meet other international broadcasters and gain a better understanding of the methodology and the types of research being conducted. This information will be invaluable as OIG moves forward on its review.

Appendix 1: Investigative Activities

Workload

Cases pending 9/30/98	1
New cases opened	0
Cases closed	1
Cases pending 3/31/99	0

Judicial Actions

Sentencing	1
Time probation	3 years
Court-ordered fine	\$ 500
Court-ordered restitution	\$ 1,820
Judicial Recoveries	\$ 2,320

Administrative Actions

Resignation	1
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The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

99-IB-012 Selected Radio Free Europe/Radio Liberty Administrative Practices

3/99

U.S. Arms Control and Disarmament Agency

OIG Activities 57

OIG Activities

Pursuant to the Foreign Affairs Reform and Restructuring Act of 1998, the U.S. Arms Control and Disarmament Agency became integrated into the Department of State on April 1, 1999. Due to the pending merger, OIG had no reportable activity for ACDA during this semiannual reporting period.

List of Abbreviations

A/FBO	Office of Foreign Buildings Operations, Bureau of Administration
CFO	Chief Financial Officer
DCM	Deputy chief of mission
DS	Bureau of Diplomatic Security
DTS-PO	Diplomatic Telecommunications Service Program Office
FMP	Bureau of Finance and Management Policy
FRC	Florida Regional Center
FSN	Foreign Service national
FFP	Firm fixed price
GAO	General Accounting Office
GMRA	Government Management Reform Act
ICASS	International Cooperative Administrative Support Services
IGCE	Independent government cost estimate
ID/IQ	Indefinite delivery / indefinite quantity
IIRIRA	Illegal Immigration Reform and Immigrant Responsibility Act
ILEA	International Law Enforcement Academy
INL	Bureau of International Narcotics and Law Enforcement Affairs
INS	Immigration and Naturalization Service
MPP	Mission program plan
NATO	North Atlantic Treaty Organization
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAO	Public affairs officer
PER	Bureau of Personnel
PMO	Program Management Office
RFE/RL	Radio Free Europe / Radio Liberty
SBA	Small Business Administration
SEP	Special Embassy Program
SIO	Security and Intelligence Oversight
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency
USIS	U.S. Information Service
USCINCPAC	Commander in Chief, U.S. Pacific Command
USNATO	U.S. Mission to the North Atlantic Treaty Organization
VOA	Voice of America
Y2K	Year 2000

Index of Reporting Requirements

Inspector General Act of 1978, as amended

Requirement	Subject	Page Number:		
		State	USIA	ACDA
Section 4(a)(2)	Review of legislation and regulations	5-8	5-8	5-8
Section 5(a)(1)	Significant problems, abuses, and deficiencies	11-25	41-43	None
Section 5(a)(2)	Significant recommendations for corrective action	11-25	41-43	None
Section 5(a)(3)	Prior significant recommendations unimplemented	35	46	None
Section 5(a)(4)	Matters referred to prosecutive authorities	26-30	None	None
Section 5(a)(5)	Information or assistance refused	None	None	None
Section 5(a)(6)	List of reports issued	32	44	None
Section 5(a)(7)	Summaries of significant reports	11-25	41-43	None
Section 5(a)(8)	Audit reports—questioned costs	33	45	None
Section 5(a)(9)	Audit reports—funds to be put to better use	34	45	None
Section 5(a)(10)	Prior audit reports unresolved	36-37	47	None
Section 5(a)(11)	Significant revised management decisions	None	None	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None	None	None

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